



Aid to Africa and the UK's '2005 Agenda': Perspectives of European Donors and Implications for Japan

Edited by Julius Court

December 2005

FINAL REPORT

For further information please contact:
Julius Court
Overseas Development Institute (ODI)
111 Westminster Bridge Road, London SE1 7JD, UK
Tel: +44 20 7922 0368 / Email: j.court@odi.org.uk

© Overseas Development Institute, 2005

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publishers.

Contents

Acknowledgements	iv
Acronyms	v
Executive Summary	vi
Synthesis Report	1
1. Introduction	1
2. What is the UK agenda for Africa (for the G8)?	3
Context: trends in and ‘drivers’ of UK’s Africa ODA policy	3
Elements of the UK agenda for 2005	5
3. The stance of other European G8 donors	8
France’s Africa ODA policy	8
Germany’s Africa ODA Policy	9
EU’s Africa ODA policy	10
4. What is likely to happen?	12
5. Japan’s ODA policy towards Africa	21
6. What are the implications for Japan?	25
Five decisions for 2005	25
Japan’s aid to Africa: longer-term issues	26
Conclusion: from the UK’s agenda 2005 to Japan’s agenda 2008	30
References	31
Annex 1: Japan-UK workshop: agenda, participants, summary and narrative report	33
Annex 2: Understanding British aid to Africa: an historical perspective	49
Annex 3: A summary of the consultations of the Commission for Africa	61
Annex 4: The UK’s policies towards Africa: a snapshot of current positions, debates, with suggestions and implications for Japan	71
Annex 5: The French perspective on UK aid policies for African development in the run-up to the 2005 G8 Summit and their implications for Japan	87
Annex 6: German policy towards Africa	100
Annex 7: EU policy towards Africa	110
Annex 8: The International Finance Facility (IFF): progress, challenges and options	121
Annex 9: ODI Japan Visit Report	131

Boxes, chart, figures and tables

Box 1: The Commission for Africa: vision, structure and process	5
Box 2: The International Finance Facility (IFF)	19
Box 3: Japan's Human Security approach	22
Box 4: Towards Japan's renewed ODA engagement in Africa	24
Synthesis chart: positions of the different countries towards 13 key issues	13
Figure: Japan's bilateral ODA to sub-Saharan Africa by type	21
Table 1: The new aid agenda and traditional Japanese aid to Africa	x
Table 2: UK aid to Africa by sector of application	3
Table 3: Elements of the UK agenda for Africa (for the G8)	6
Table 4: Evolution of France, Japan and US share in sub-Saharan total ODA (1995-2001)	8
Table 5: Evolution of Japan's aid to Africa: five phases	23
Table 6: The new aid agenda and traditional Japanese aid to Africa	28

Acknowledgements

The authors are grateful for all the help received in the preparation of the report – from the authors of the background papers to the people we spoke to on the topic (see Annex A) and for comments received on earlier drafts of this paper. All views expressed in the paper and any errors are the authors own.

Acronyms

ACP	African, Caribbean and Pacific
AFD	Agence Française de Développement
AfDB	African Development Bank
AU	African Union
BMZ	Ministry for Economic Cooperation and Development (Germany)
CFA	Commission for Africa
CFSP	Common Foreign and Security Policy
DAC	Development Assistance Committee
DBS	Direct budget support
DFID	Department for International Development
EDF	European Development Fund
EFA	Education For All
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EU	European Union
FCO	Foreign and Commonwealth Office
GBS	General budget support
GDP	Gross domestic product
GNI	Gross national income
GTZ	Technical Assistance Agency (Germany)
HIPC	Heavily indebted poor country
ICT	Information and communication technologies
IFI	International financial institution
IFF	International Finance Facility
IFFIm	International Finance Facility for Immunisation
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
JBIC	Japan Bank for International Cooperation
JEXIM	Export-Import Bank of Japan
LIC	Low-income country
MDG	Millennium Development Goal
MIC	Middle-income country
MINEFI	Ministry of Economy and Finance
MOD	Ministry of Defence
MOFA	Ministry of Foreign Affairs
NEPAD	New Partnership for African Development
NGO	Non-governmental organisation
OA	Official assistance
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
PRSP	Poverty Reduction Strategy Paper
PSA	Public Service Agreement
S&T	Science and technology
SAL	Structural adjustment loan
SDF	Self-defence force
TICAD	Tokyo International Conference on African Development
WB	World Bank
WTO	World Trade Organization

Executive Summary

The '2005 Agenda' and the UK's role

2005 was widely seen as a pivotal year for international development policy in general, and Africa in particular. The focus on the region was part of a wider momentum that included: the G8 Summit in Gleneagles in July (where Africa has been identified as one of the two priorities); the Millennium Development Summit in September in New York (where the first five-year review of progress towards the Millennium Development Goals – MDGs – were discussed); and the WTO Ministerial Meeting in Hong Kong in November.

The UK had a particular role here. The Commission for Africa (CFA), chaired by Tony Blair, published its findings in early 2005. The UK made African development the primary focus of its G8 presidency. As Chair of the European Union (EU) in the second half of 2005, the UK was keen to make development issues, and Africa in particular, a priority. The UK's agenda for 2005 was therefore likely to have additional significance. But what was the UK government trying to promote? What do other stakeholders think? What are the potential implications for Japan?

This paper presents a synthesis of ODI work, funded by the Japan International Cooperation Agency (JICA), to address these questions. The paper outlines the UK's '2005 Agenda' on Africa: the key issues that will inform the UK's dual presidency in 2005 of the G8 and the EU. It assesses the perspectives of France, Germany and the EU on these issues, along with areas of agreement and momentum versus areas of divergence. It concludes with the implications for Japan: the **key decisions for 2005** and the **implications for reform in the longer term**.

The conclusions drawn here are based on a review of academic literature and donor policy on development assistance. Particular focus is on 'big analyses' of 2005: the Commission for Africa Report – *Our Common Future* – and the UN Millennium Project Report – *Investing in Development*. The project also prepared seven Background Papers:

1. Understanding British aid to Africa: an historical perspective – Tony Killick
2. A summary of the consultations of the Commission for Africa – David Sunderland
3. The UK's policies towards Africa: a snapshot of current positions and debates, with suggestions and implications for Japan – David Sunderland
4. The French perspective on UK aid policies for African development in the run-up to the 2005 G8 Summit and their implications for Japan – Vincent Géronimi
5. German policy towards Africa – Sven Grimm
6. EU policy towards Africa – Sven Grimm
7. The International Finance Facility (IFF): progress, challenges and options – Andrew Rogerson

The preliminary findings of the research were discussed in a one-day workshop with senior Japanese researchers, Japanese aid officials and other UK stakeholders on African development. The sections on Japan's aid to Africa draw on presentations by Professor Izumi Ohno and Professor Motoki Takahashi. The final report is also informed by the visit to Tokyo by a team from ODI. This included extensive discussions with many of the key aid stakeholders – including JICA, JBIC, the Ministry of Foreign Affairs and major think tanks – as well as three public events on development policy issues. Nevertheless, the findings come with a warning: positions change and it is difficult to be comprehensive regarding such an extensive topic.

What did we find? In terms of many of the overall objectives and priority issues, there is little disagreement as to what is important. The focus on poverty reduction is common, although Japan is increasingly focusing through a human security lens. **The arguments are much more to do with the most effective modalities of development assistance.** Is doubling aid necessary? Should there be 100% debt relief? Should we provide aid directly into recipient budgets or have projects? Like other donors, Japan's aid policy is changing. But Japanese stakeholders feel that they are facing many challenges – and some opportunities – in coping with this 'new aid agenda'.

Perhaps the **biggest opportunity for Japan is the renewed emphasis on infrastructure** (and more broadly, economic growth and the productive sector) in the development mainstream. Japan is seen as having extensive experience and comparative advantage in this area. But the **changes implied in the 2005 agenda are likely to provide substantial challenges to Japan's Official Development Assistance (ODA) policy to Africa.**

Five Decisions for 2005

Based on the issues the UK is going to push in particular, and on an assessment of the responses of major European donors, five issues have been identified on which Japan is going to need to make decisions at the G8 Summit (and then at the MDG Summit). These issues are outlined below.

1. **Increasing aid volume to Africa:** The CFA has called for an additional US\$25bn a year for Africa – of which the Japanese share is estimated at US\$4bn per annum. Aside from the US, other donors are committing to meeting targets to increase ODA as a percentage of national income. Prime Minister Koizumi recently committed to doubling aid to Africa over three years – an additional US\$0.8bn per annum. Despite this, the external view is that Japan does not pull its weight in terms of development finance in general, to Africa in particular, so there will be pressure on Japan's position. Internally, a decision on increasing aid to Africa will need to work its way through the overall and ODA budget systems in the Ministry of Finance and Ministry of Foreign Affairs. Given Japan's fiscal constraints, this is likely to mean some reallocation (mostly from the East Asia) and some additional ODA.
2. **Supporting the International Finance Facility:** Of particular significance in 2005 is the proposal for the IFF, aimed at doubling aid volume to achieve the MDGs. The UK, particularly Chancellor Gordon Brown, is strongly pushing this initiative, which will provide a way to frontload aid to help meet the MDGs. Divergences remain in the G8 as to the full scheme and there is also little enthusiasm in Japan. There is much more widespread support for the International Finance Facility for Immunisation (IFFIm). It is likely that Japan will be encouraged to join the pilot scheme and give qualified verbal support to the full scheme, even if financial support is not possible at this stage.
3. **Debt relief:** The CFA Report has called for 100% debt relief. The UK was pushing a multilateral debt relief initiative. Despite major divergences within Europe and the G8 (Japan, Germany and France preferred a debt sustainability initiative), the G8 Finance Ministers agreed to a multilateral debt relief initiative. This will be endorsed in Gleneagles – although there still remain some implementation issues to be sorted out.
4. **Trying different approaches: untying, harmonisation and budget support:** The CFA Report argues for: 'more grants, more predictable and untied aid, and donor processes that are less burdensome ... it must also be better harmonised with the aid of other donors and better in line with the priorities, procedures and systems of African governments. Above all, it must be given in ways that make governments answerable primarily to their own people.' The key issues for Japan here are untying, harmonisation and budget support. Japan is going to be under pressure to make commitments on untying its aid to Africa. Although harmonisation and direct budget support imply greater effectiveness of the overall aid system, they would require new approaches from Japan and imply less visibility. Japan will need to confirm that it supports these approaches in principle and move towards implementation. While Japan already provides direct budget support to some countries in Asia, there seems limited scope to extend the approach in Africa beyond the current pilot in Tanzania.

5. **Mutual accountability:** In order to provide a mechanism for monitoring and accountability, the CFA Report calls for an independent mechanism, perhaps led by two influential figures and supported by a small secretariat. UK Prime Minister Tony Blair will push for the influential figures approach, linked to the G8. A number of donors, including Japan, have reservations about the proposed approach to mutual accountability, but it is almost certain that the G8 will sign up to some kind of mutual accountability mechanism in July. There are implications here for Japan: this will open the door for annual public assessments of Japan's aid to Africa, so Japan will need to identify the options it supports.

Japan's aid to Africa: longer-term issues

The focus on Africa in 2005 and the decisions made on international development policy will have a legacy. **The Commission for Africa (CFA) Report provides a landmark analysis of the development context in Africa and should inform discussions of Japan's strategy.** Japan's aid to Africa seems set to increase – perhaps double – over the next few years. Japan's aid system has seen reform in recent years – with a new ODA charter in 2003, new initiatives in poor countries, formation of country assistance programmes in alignment with PRSPs (and direct budget support in the case of Tanzania) and agreement to the Paris Declaration on Harmonisation. However, Japanese stakeholders feel that they are facing many issues regarding the 2005 Africa Agenda and the 'new aid agenda' more broadly. We have identified eight issues – both challenges and opportunities – for Japan's aid policy towards Africa. Some have implications that are technical, others are more political.

1. **Africa and Japan's aid quantity – development vs. national interest:** International development assistance efforts have become increasingly focused on Africa, and Japan is going to remain under pressure to do more for the region.¹ The major political challenge within Japan will be how to increase aid to the region when Africa is basically marginal to Japan's economic and political interests (and public interest). Overall, fiscal restraints in the short term are likely to mean that any aid increase to Africa come partly from reallocation – a China or East Asia dividend – rather than new aid. This makes the key arena the negotiations within and between the Ministry of Finance and Ministry of Foreign Affairs – as well as the implementing agencies of JICA and JBIC. In the short term this may be difficult, but as East Asia is graduating from aid, there may be more scope over time.
2. **Greater selectivity – and reaching the poorest:** There is much discussion about selectivity in both the CFA Report and the UN Millennium Project Report (and it is being operationalised in US aid via the US Millennium Challenge Account). This involves identifying selected countries and making a large amount of money available. There is a technical question regarding the identification of African countries where increases in aid would be used effectively. There is increasing emphasis in the UK (though much less from the big European donors) on focusing on the poorest countries and also on fragile states. However, in Japan's evolving aid strategy towards Africa, Japanese stakeholders suggest that Japan may want to concentrate on a few countries with which it is more familiar. Such a strategy would be more pragmatic, politically acceptable within Japan, and could provide a demonstration effect. It has been commented that Japan has not conducted a thorough analysis of many African countries (Tanzania is one of the few exceptions). There will, however, be issues of donor coordination – or some countries in Africa will get 'missed out'.
3. **The opportunity of infrastructure:** One of the biggest development stories of 2005 so far has been the rediscovery of infrastructure (as part of a broader emphasis on economic growth and the productive sector). The CFA calls for the doubling of aid to infrastructure in Africa. This is a big opportunity for Japan: it is an area where Japan has a comparative advantage and an issue to which it can bring its experience from East Asia. There is already discussion between JBIC, the World Bank and African Development Bank regarding an infrastructure study for Africa. There are also ongoing discussions regarding use of a consortium as a way to manage

¹ There do remain technical questions about whether Africa actually needs more aid. See Killick (2004); Warrenner, Perkin and Court (2005); and Lockwood (2005).

resources effectively among the major players in this area. It will be difficult to provide large spending quickly owing to the extent of project lead times. Given the naivety in the current international debate, and Japan's extensive experience, Japan's technical input would be extremely valuable on this issue. There will be many challenges, since successful additional support for infrastructure in Africa will be complicated and risky – it is important to address institutions as much as the infrastructure itself. There are also issues here regarding grants vs. loans, recurrent costs, maintenance, and sequencing. In sum: Japan can certainly add to the debate as well as to funds here.

4. **The central importance – and challenge – of governance:** The importance of governance for development and aid policy was central to the 'big analyses' of 2005 (UN Millennium Project and CFA reports). The Commission for Africa highlighted that 'The issue of good governance and capacity building is what we believe lies at the core of all of Africa's problems.' This has significant implications and challenges for Japan's ODA. Whereas other donors have invested heavily, Japan's aid system has limited capacities in this area with regards to Africa. Given the emphasis in the CFA Report on governance issues as the key issue for Africa, Japan is going to need to find a means to engage in new and different ways on governance issues. There are various types of approaches: greater country selectivity; more support for governance reforms; working with civil society; greater emphasis on international agreements. Key is to undertake rigorous governance assessments and to use a mix of approaches which best fit the context. This is no easy task, although it is one where Japan can add some value, given its experience of working with development states in East Asia. However, the technical challenges of a greater emphasis on governance considerations in aid programmes may clash with foreign policy or commercial imperatives.
5. **Capacity and technical assistance:** Japan will feel much more comfortable and able to respond on the technical issues of capacity building rather than (political) governance. Issues of capacity are also at the core of both the CFA and Millennium Project reports, so there is an opportunity here for Japan (particularly JICA) to engage. But a challenge here is that momentum to reform technical assistance is growing. A key issue on the agenda is how to make technical assistance more demand driven and coordinated by the recipient government.
6. **Aid effectiveness and the 'new aid agenda':** There is increasing momentum for reforms to enhance aid effectiveness – internationally as well as within Japan. The traditional aid effectiveness agenda, e.g. around untying, remains pertinent and Japan will remain under pressure to deliver here. However, a number of issues, which are part of the new aid agenda, may have implications for Japan. This means efforts towards coordination under recipient government-led strategies (PRSPs) and working within recipient government systems. For Japan, this means engaging with discussions on: (i) governance issues – discussed above; (ii) harmonisation (common arrangements and simple procedures) and alignment (behind partner agendas and systems); and (iii) direct budget support (DBS). Japanese insights would be very valuable inputs to the debates since this is an interesting but challenging set of innovations. However, they do have implications. The technical merits in terms of aid effectiveness may clash with domestic political pressures regarding visibility. They imply thinking in different ways about accountability.

Table 1: The new aid agenda and traditional Japanese aid to Africa

New aid agenda	Traditional Japanese aid to Africa
<ul style="list-style-type: none"> • Coordination under recipient government strategy • Alignment with recipient government budget system and medium-term perspective • Aid for recurrent expenditure • Harmonisation of procedures and procurement processes • Greater transparency and accountability to recipient populations 	<ul style="list-style-type: none"> • Project-based and standalone • Aid in kind (TA) and grant aid • No support for recurrent expenditure • Japan's systems: single-year budgeting and aid tied to Japanese contractors • Accountability in Japan

Source: Adapted from Takahashi (2005).

The new aid agenda also implies institutional reform regarding Japan's ODA procedures, capacity and structures. The challenges are probably greatest regarding grant aid provision by the Ministry of Foreign Affairs (MOFA). MOFA would need to change ODA procedures (e.g. regarding budget support). It would also help to expand its human resource capacity, which is seen as weak compared to other DAC members. The quantity of staff, experience in development issues and the system of rotation are all areas where reform is implied. In terms of structure, the new aid agenda implies reforms towards greater capacity and decision making power for country offices.

7. **How to loan to Africa?:** A large part of Japan's aid system is geared towards loans and Japan's loan aid has a different accounting system from grant aid. However, as of 2003, Japan was receiving more in repayments from Africa than it was disbursing in new loans. There will be external pressure regarding this situation. More generally, a key issue regarding increasing Japan's aid to Africa will be around finding ways for Japan to provide loans. As a result of HIPC, the operational scope for JBIC to provide loans to Africa is at present minimal. It could be possible to reallocate aid through the African Development Bank and/or through international institutions. Most aid and new aid is likely to be in the form of grants and technical assistance, but there is an opportunity for innovative thinking as to how Japan could provide more loans to Africa.
8. **Better explaining the lessons of Japan's aid to East Asia:** A cross-cutting issue that has emerged is the value of Japan's ability to explain and share the lessons of its aid contributed to East Asia. To what extent – and in what ways – was there a link between Japan's provision of aid and the development outcomes? And what are the lessons for Africa? With aid policy in a state of flux, it would really help to have an assessment of Japanese aid to both Asia and Africa.

Conclusion: from the UK's agenda 2005 to Japan's agenda 2008

Based on the Commission for Africa process and its own aid experience, the UK is putting a set of issues on the table regarding development in Africa to which Japan is being asked to respond at the highest political level. We have tried to identify some of the key issues for Japan in 2005 as well as the longer term-implications of the new aid agenda.

Finally, it is worth noting that in 2008 Japan is going to be in a somewhat similar position to that which the UK is in currently. In 2008, Japan will host TICAD IV and chair the G8 Summit. Africa may or may not be an explicit priority at the G8, but the development performance in the region and Japan's aid to Africa are bound to be under the spotlight again.

Synthesis Report

1. Introduction

Africa has emerged as the biggest challenge to those in the international community who aspire to end poverty.² The record of conflict, slow economic growth and lack of progress in reducing poverty in the region is well documented. The Commission for Africa (CFA) Report *Our Common Interest* highlights poverty in Africa as ‘the greatest tragedy of our time’.

International aid efforts have become increasingly focused on Africa, and 2005 is widely seen as a pivotal year. The focus on the region is part of a wider momentum that includes the G8 meetings in Gleneagles for the G8 Summit in July (of which Africa has been identified as one of the two priorities); the Millennium Development Summit will take place in September in New York, where the first five-year review of progress towards the Millennium Development Goals will be discussed; and the WTO Ministerial Meeting in Hong Kong in November.

The UK has a particular role here. The Commission for Africa, chaired by Tony Blair, published its findings in early 2005. The UK has made African development the primary focus of its G8 presidency. As Chair of the European Union in the second half of 2005, the UK is keen to make development, and Africa in particular, a priority focus. The UK’s agenda for 2005 is therefore likely to have a significant impact on other stakeholders (Japan, other G8 countries, the EU and countries in Africa). But what is the UK government trying to promote and why?

This report is intended to help stakeholders in Japan to understand better the UK’s ‘2005 agenda’ on Africa and to start to outline the potential implications for Japan, JICA in particular.³ This involves a discussion of the following sets of questions:

- What are the big issues for the UK in relation to African development? What are the current policy positions and findings of CFA Report that will inform the UK’s dual presidency of the G8 and the EU in 2005? (Of particular significance is the proposal for an International Finance Facility aimed at doubling aid volume to Africa to achieve the MDGs.)
- What is the view of France, Germany and the EU regarding these big policy issues? What are the other main issues in relation to African development that they are likely to emphasise at the G8?
- What are the implications for Japan on these issues? What are the key decisions concerning African development that Japan is likely to face? More generally, how can Japan best approach aid policy towards Africa?

In addition to a general literature review, this summary report is based on seven Background Papers:

1. Understanding British aid to Africa: an historical perspective – Tony Killick
2. A summary of the consultations of the Commission for Africa – David Sunderland
3. The UK’s policies towards Africa: a snapshot of current positions and debates, with suggestions and implications for Japan – David Sunderland
4. The French perspective on UK aid policies for African development in the run-up to the 2005 G8 Summit and their implications for Japan – Vincent Géronimi

² Throughout this paper, we use ‘Africa’ to refer to sub-Saharan Africa. Although often taken as a single block, we caution against over-generalising about a continent that is characterised by a great deal of diversity and has experienced a wide range of development experiences in recent decades.

³ The Overseas Development Institute (ODI) has been working on building closer links between Japanese and British researchers and practitioners in international development since September 2003. It is currently producing regular reports for the Japan International Cooperation Agency (JICA) and the wider Japanese development community synthesising the latest thinking and practice in the UK on topical aid policy issues such as PRSPs, aid modalities and aid harmonisation. These reports are stimulating debate both within Japan and between the UK and Japan. For more on this initiative see: http://www.odi.org.uk/Rapid/UK_Japan/index.html

5. German policy towards Africa – Sven Grimm
6. EU policy towards Africa – Sven Grimm
7. The International Finance Facility (IFF): progress, challenges and options – Andrew Rogerson

The preliminary findings of the research were discussed in a one-day workshop with senior Japanese researchers, Japanese aid officials and other UK stakeholders on African development (see Annex 1 for details). The sections on Japan's aid to Africa draw on presentations by Professor Izumi Ohno and Professor Motoki Takahashi. The final report is also informed by the visit to Tokyo by a team from ODI. This included extensive discussions with many of the key aid stakeholders – including JICA, JBIC, the Ministry of Foreign Affairs and major think tanks – as well as three public events on development policy issues. Nevertheless, the findings come with a warning: positions change and it is difficult to be comprehensive regarding such an extensive topic.

The synthesis is structured as follows: Section 2 provides information on the history and context of UK development policy in Africa and outlines key elements of the UK agenda for 2005. Section 3 looks at the stance of France, Germany and the EU with regard to this agenda as well as broader contextual factors underpinning their positions. Section 4 synthesises the information in terms of what is likely to happen in terms of identifying key issues where there is support for the UK agenda (and where there is not). Section 5 provides contextual information on Japan's aid policy towards Africa and the factors driving it. Section 6 concludes with what all this means for Japan – the key issues for 2005 and the broader aid policy decisions it is likely to face.

2. What is the UK agenda for Africa (for the G8)?

Context: trends in and ‘drivers’ of UK’s Africa ODA policy

International development policy – and Africa in particular – have perhaps never had such high profile as they currently have in the UK. ‘Double aid to half poverty’ characterises the current narrative of UK aid policy in Downing Street. This marks the latest chapter in regular policy evolution since the end of colonialism. This section outlines the main elements and drivers of UK aid policy to Africa.⁴

The key trends include:

- **Increasing aid volume:** the real absolute (current price) value of UK aid to Africa doubled in 1995/6 to 2003/4. It is probably set to double again in coming years.
- **High level of concessionality:** For most of the last 20 years, virtually all assistance to African (and other least-developed) countries has been in the form of grants, as against loans. It has also implemented an active programme of debt forgiveness.
- **A (constant) mix of modalities:** Judging from statements, one could get the impression that the modalities of UK ODA to Africa have changed dramatically from projects to structural adjustment support to sector-wide approaches to direct budget support. On the ground, there has been rather less shift in the proportions to different modalities (including technical assistance). Perhaps the biggest surprise is the rather constant share, at around 30%, of programme aid – despite DFID’s vigorous espousal of this aid form in recent years.
- **Changing sectoral allocation:** There has been a significant shift in the end-use of aid to Africa away from directly productive economic sectors in favour of social services and ‘governance’ over the last two decades (see Table 2).
- **Changing nature of aid relationships:** Donor-recipient relationships have changed (at least on paper) from conditionality to partnership and policy dialogue.
- **Decentralisation:** it is important to note the substantial decentralisation that has occurred in DFID’s operational structure. In virtually all major African recipients, substantial financial and policy authority is vested in the local DFID offices.

Table 2: UK aid to Africa by sector of application
(percentages of total)⁵

Period ⁶	Economic	Social services ⁷	Environment	Governance	Rural livelihoods
1988/9 – 1989/90	66.4	17.2	2.6	3.5	10.4
1993/4 – 1994/5	56.8	23.0	3.3	8.4	8.5
1998/9 – 1999/00	23.7	36.0	3.4	28.7	8.2
2003/4	24.9	53.5	1.5	14.4	5.8

⁴ This section draws primarily on the Background Paper by Tony Killick.

⁵ These figures exclude humanitarian assistance and aid which could not be allocated by sector.

⁶ The statistics are means of two-year periods except for 2003/4.

⁷ A combination of education, health and ‘social’ categories.

The key drivers of UK ODA policy to Africa include:

- **History, especially colonialism:** This helps explain the priority given to Africa in Britain's ODA policy.
- **Moral arguments or enlightened self-interest:** The promotion of social and economic development has always been a consideration in the policy priorities of successive administrations. To a substantial extent, then, UK policy changes have been a response to conditions in Africa and the slow progress of much of the continent. This driver seems currently powerful.
- **Britain's national interest:** The extent of foreign policy considerations have fluctuated with the party in government (and independence of the UK's aid agency or not), but are currently less direct or powerful. Of increasing relevance in recent years has been security issues linked to the US war on terror.
- **Britain's domestic economic situation:** Although a small part of total state spending, the domestic economic situation does affect ODA policy. The recent robust growth and healthy fiscal position has been the basis for expansion of ODA.
- **Party politics:** Although not deep, there have been differences in the past that have affected policy to Africa (scale of budget and extent of national interest). Currently, both major parties have committed to achieving the UN target of an aid programme equivalent to 0.7% of GDP by 2013.
- **Executive autonomy:** This is high and explains the degree of current emphasis on development in general and Africa in particular.
- **Implementation agency's position and capacity:** Whereas capacity has remained strong, issues that fluctuate include the degree of autonomy and the strength of leadership. The latest DAC peer review notes DFID's breadth of knowledge and depth of expertise.
- **Commercial objectives:** These two have fluctuated according to the party in government and are currently of low importance (untying).
- **Public support:** Development has always enjoyed considerable public support, and the UK policy is influenced by increasingly sophisticated groups of civil society organisations.
- **Intellectual climate:** This has fed the redesign of aid policies – from economic to broader views of development and regarding modalities for effectiveness.
- **Other donors:** British policies have also been shaped by other agencies working in the aid field, especially the IFIs.

What are the prospects? What is clear is that there will continue to be a massive political push on issues of African development in 2005. Domestically, the political attention to international development is unprecedented. The Prime Minister and Chancellor as well as the Minister for International Development are interested in issues of African development and can push them forward owing to the autonomy the executive has in the UK. The Prime Minister initiated and chaired an Africa Commission which put forward the aim of doubling aid and the creation of an IFF as well as a raft of policy suggestions. The present government will push through major policy shifts in British policy towards Africa, particularly regarding aid quantity.⁸ Internationally, this affects other stakeholders in international development since the UK is using its 2005 chairmanship of the G8, and presidency of the EU in the second half of 2005, to push for a massive increase in efforts to reduce poverty in Africa.

⁸ There is a tendency for there to be a gap between the extent of shift in policy statements and actual changes on the ground with regard to UK ODA policy. Thus, although there are likely to be major changes on paper, if history is anything to go by, the extent and nature of change in terms of implementation is likely to be less dramatic.

Box 1: The Commission for Africa: vision, structure and process

The CFA was launched by Tony Blair in February 2004:

‘to support and generate ideas and actions for a strong and prosperous Africa. It is an independent body with seventeen Commissioners, nine of whom are African. It will report in spring 2005. The challenge for the Commission for Africa is to set out comprehensive, coherent and practical proposals for action by the international community which, with Africa leading the way, can accelerate and sustain Africa’s growth and development. It will help to promote and fashion a new relationship between the rich world and Africa; one of common objectives and of partnership in action.’

It stated objectives of the CFA were:

- a) To generate new ideas and action for a strong and prosperous Africa, using the 2005 British presidencies of the G8 and the European Union as a platform;
- b) To support the best of existing work on Africa, in particular the New Partnership for African Development (NEPAD) and the African Union, and help ensure this work achieves its goals;
- c) To help deliver implementation of existing international commitments towards Africa;
- d) To offer a fresh and positive perspective for Africa and its diverse culture in the 21st century, which challenges unfair perceptions and helps deliver changes; and
- e) To understand and help fulfil African aspirations for the future by listening to Africans.

The process included three meetings of the commissioners and two rounds of open consultations. The CFA Secretariat is based in London, funded and hosted by DFID, with approximately 30-35 staff. After the publication of the CFA Report 2005, a reduced staff will continue working in the Secretariat until the G8 Meeting in July (and possibly beyond this). Paul Vallely, principal author of the Report, explains that consultations were held in 49 countries across Africa, in every G8 country, throughout Europe, in India and in China. The CFA received nearly 500 formal submissions and examined a vast wealth of analysis.

The Report is divided in two parts – as outlined by the Commission itself: ‘The first, The Argument, addresses itself to that wider audience and succinctly sets out our call to action. The second part, The Analysis and Evidence, lays out the substance and basis of our recommendations so these can be held up to public scrutiny. Our Recommendations are set out between these two sections.’

The main areas where action is proposed (as set out in the Executive Summary) are clustered into six areas, namely:

- Getting Systems Right: Governance and Capacity Building
- The Need for Peace and Security
- Leaving No-one Out: Investing in People
- Going for Growth and Poverty Reduction
- More Trade and Fairer Trade
- Where Will the Money Come From: Resources

Tony Blair has accepted the findings of the CFA Report as guiding UK policy.

Source: Summary Background Paper by David Sunderland.

Elements of the UK agenda for 2005

In this section, we identify 13 issues that we believe are at the core of the UK’s 2005 agenda. This is obviously far from an exhaustive list. We have tried to identify a set of issues that are central to the CFA Report, are at the core of the UK agenda, and are also likely to involve decisions by other donors (particularly Japan). It is important to note that the key issues in the CFA policy are not necessarily the same as the UK’s policy agenda for Africa.⁹ We have, however, also looked at speeches and policy documents (PSAs, White Papers and specific DFID strategies) and interviewed a range of policymakers and experts in academia and civil society. It has (not surprisingly) been difficult to strike a balance between generality and specificity in the topics covered. The 13 key issues are outlined in the Table 3, with some additional information on domestic positions.

⁹ There are implicit and explicit commitments to support the Commission for Africa, both in the preparation of its Report and in following up its recommendations (see Summary Background Paper by David Sunderland) Tony Blair has also committed that the UK policy will follow key CFA recommendations.

Table 3: Elements of the UK agenda for Africa (for the G8)

1	<p>A focus on poverty: The CFA reports highlights poverty in Africa as ‘the greatest tragedy of our time’ and the need for ‘a big push’.</p> <p>DFID’s mission statement (and the Public Service Agreement with the Treasury) is now officially summarised as to ‘eliminate poverty in poorer countries, in particular through achievement by 2015 of the Millennium Development Goals’.</p>
2	<p>Governance and capacity building: This is the key issue in the CFA Report. The broad push is towards improving capacity and accountability. There is a major focus on higher education (particularly S&T) and initiatives on repatriating assets of corrupt leaders and initiatives on foreign company bribe givers.</p> <p>DFID has expanded work on governance over the past two decades; priorities include issues around building effective states (strengthening accountability, promoting the rule of law, improving access to justice, promoting democracy, human rights and anti-corruption initiatives).</p>
3	<p>Peace and security: In particular, support for the African Union and UN to help prevent and resolve conflict. DFID shares PSA targets with the FCO on conflict prevention and specific collaboration on conflict prevention (DFID, MOD, FCO) has been noted.</p>
4	<p>Health, Especially progress on HIV/AIDS: ‘Almost half of the extra aid we recommend should be spent on health, education and HIV and AIDS.’</p> <p>The UK has pushed strongly on health issues, focusing particularly on HIV/AIDS, malaria and tuberculosis, but also more generally on strengthening health systems.</p>
5	<p>Education: In particular, providing ‘proper’ support for the Education for All initiative (e.g. donors pay for removing primary school fees).</p>
6	<p>Growth: Broad efforts to improve the investment climate, particularly including ‘double spending on infrastructure’ from small roads to large power projects to ICTs.</p> <p>DFID has been putting much effort into improving understanding of what constitutes a good investment climate and how to bring this about. DFID policy is particularly close to the suggestions in the 2005 World Development Report, <i>A Better Investment Climate for Everyone</i>.¹⁰</p>
7	<p>More trade and fairer trade: For donor countries, this means (i) abolishing ‘trade-distorting subsidies to their agriculture and agribusinesses’; (ii) ‘lower tariffs and other non-tariff barriers to African products’; (iii) ‘completing the Doha round of World Trade talks in a way which does not demand reciprocal concessions from poor African nations’; (iv) ‘providing transitional support to Africa as global trade barriers are removed.’</p>
8	<p>Increase aid: By an additional US\$25bn per year by 2010 and then, pending review, by another US\$25bn per year by 2015.</p> <p>Both major political parties in the UK have committed to achieving the UN target of an aid programme equivalent to 0.7% of GDP by 2013. UK aid to Africa will increase considerably in coming years.</p>
9	<p>Improve the quality of aid: ‘Above all, it must be given in ways that make governments answerable primarily to their own people’ and ‘more grants, more predictable and untied aid, and donor processes that are less burdensome’ as well as ‘better harmonised’ and ‘better in line with the priorities, procedures and systems of African governments’.</p>
10	<p>Frontload aid: Through the immediate implementation of the International Finance Facility (IFF). The UK will be strongly seeking support for this.</p>
11	<p>Cancel debt: The CFA Report calls for ‘100 per cent debt cancellation as soon as possible’.</p> <p>The UK is pushing strongly on debt relief. Since 1999, the UK has written off 100% of bilateral debt to post-Completion Point HIPC countries and also the vast majority of the poorest Commonwealth countries’ bilateral debt to the UK. Since 1 January 2005, the UK has also implemented a multilateral debt relief initiative, paying its share of certain poorest countries’ debt service. Lobbying continues to encourage other donors to participate.</p>
12	<p>Pan-African institutions: There is a cross-cutting focus in the CFA Report on African regional institutions – regarding governance, peace, growth, etc. – and a recommendation to provide greater support to such institutions.</p>
13	<p>Mutual accountability: In order to provide a mechanism for monitoring and accountability, the CFA Report calls for an independent mechanism, perhaps led by two influential figures and supported by a small secretariat.</p> <p>The UK view is that this could be via the eminent persons or via the Africa partners forum.</p>

¹⁰ <http://econ.worldbank.org/wdr/wdr2005/>

A few points are worth noting in the response in the UK to the CFA Report. There has been general acceptance that the analytical section of the Report is impressive: people argue but most accept it is clearly a landmark analysis of the development situation in Africa (in terms of breadth and depth). It is also seen as surprisingly direct in its identification of the problems, including some politically sensitive issues. In the media there seems to be agreement with the CFA analysis (although with different emphasis). The big NGOs have welcomed it but place more emphasis on external constraints to African development than the internal ones emphasised in the Report.

3. The stance of other European G8 donors

France's Africa ODA policy

Although relations between France and Africa are the product of a specific history, the 1990s essentially saw the end of most of the so-called 'relations spéciales' between France and Africa. There has been increasing integration of French cooperation inside the multilateral system. Since the late 1990s, the institutional architecture of French aid delivery has basically been a duopoly between the Ministry of Foreign Affairs (MOFA) and the Ministry of Economy and Finance (MINEFI, with the AFD), which account for 17% and 28% of ODA respectively. This section outlines the main trends and drivers of France's ODA policy to Africa.¹¹

The key trends include:

- **Decreasing aid volume and share:** The sub-Saharan Africa share of total French bilateral ODA decreased sharply between 1991 and 2002 (from 55.4% to 26.8%). This may be turned around in coming years.
- **A less special relationship:** Progressively vanishing specificity of the relationships (so-called 'relations spéciales') between France and Africa. This is in both a diplomatic sense and in terms of economic realities (e.g. Zone Franc).
- **Mixed modalities:** France is now strongly in favour of a balanced approach between grants and loans.
- **New modes:** There is a move toward mutual funding and basket funding as well as budgetary or programme support.
- An increased emphasis on poverty and the MDGs (although not exclusively).

The key drivers of the French ODA policy to Africa – broadly divided into historical and institutional issues – include:

- **History, especially colonialism:** Helps explain the priority given to Francophone Africa in France's ODA policy. This has been weakening in recent years.
- **France's foreign policy interest:** These have remained strong, given the role of the MOFA in aid policy.
- **France's commercial interests:** The extent of economic and commercial considerations is important with a key role for MINEFI, with the AFD.
- **France's domestic economic situation:** This limits the scope for dramatic aid increases in the future.
- **Executive autonomy:** the connection of the French presidency to the special department the 'cellule africaine'.

Table 4: Evolution of France, Japan and US share in sub-Saharan total ODA (1995-2001)

	1995		1998		2001	
	US\$m	%	US\$m	%	US\$m	%
Total ODA to SSA	18420	-	13900	-	13530	-
Total French ODA to SSA	2700	14.6	1520	11	944	7
Total Japan ODA to SSA	1352	7.3	948	6.8	850	6.3
Total US ODA to SSA	1050	5.7	713	5	1375	10.2

Note: From DAC/OECD, ODA disbursements.

Source: Gabas (2005)

¹¹ This section draws primarily on the Background Paper by Vincent Géronimi.

What are the prospects? Since 2002, the Chirac presidency has put a renewed emphasis on Africa and French ODA is one of its five priorities. There are some broad areas of convergence between French and UK positions on Africa – in terms of the importance of Africa and achieving the MDGs as well as towards new aid approaches and specific support for the IFF. However, there are also areas of divergence. In particular, there is French sensitivity regarding agricultural subsidies and liberalisation. France is also reluctant to support the CFA proposal of total debt forgiveness and the UK multilateral debt initiative. The specifics of France's response to the main CFA proposals are contained in the Background Paper and summarised in the Synthesis Chart in Section 4.

Germany's Africa ODA Policy

Institutionally, German development cooperation is centralised in the Cooperation Ministry, but fragmented at the implementation level. The Ministry for Economic Cooperation (BMZ) has historically dominated German engagement with Africa. The BMZ's political leverage, however, remains limited; policy on Africa is generally marginal in German politics. German development cooperation has a number of implementation agencies, the biggest of which is the GTZ. There is seen to be a fragmentation in implementation. This section outlines the main trends and drivers of Germany's ODA policy to Africa.¹²

The key trends include:

- **Stable aid volume and share of GDP:** The share of aid in GNI has risen from 0.26% in 1999 to 0.28% in 2003. Much is via multilateral agencies. 27% of overall German bilateral assistance was spent on Africa in 2002.
- **Diversity:** Germany does not have a single clear strategy for Africa. It is keen, however, to support African regional institutions.
- **Selectivity:** In 2000, the BMZ reduced the number of partner countries from 118 to 70. (DFID supports 155.)
- **Changing sectoral allocation:** There has been a significant shift towards governance, which is now one of three main areas of German development cooperation (with economic cooperation and water).
- **Traditional modalities:** Only 3-4% of the funds are given as general budget support. BMZ officials often refer to difficulties in the German budgetary legislation.

The key drivers of Germany's ODA policy to Africa include:

- **Germany's domestic economic situation:** This is given as a reason for the limited range of manoeuvre for increasing ODA (with hints to the European Stability Pact).
- **German politics:** Africa is marginal.
- **Centralised ODA policymaking:** In the Ministry for Economic Cooperation and Development (BMZ).
- **Decentralised implementation:** across a range of organisations.
- **Germany's economic and commercial interests:** These are highlighted as important – and have an institutional presence with the role of the Ministry of Finance (and KfW).
- **Germany's foreign policy interest:** These have remained limited given the less central role of the Ministry of Foreign Affairs in aid policy. But the new push for a UN Security Council seat may see this consideration grow in importance.
- **Colonial history:** History was a key driver after WWII, with the need to gain recognition on the international level. Now it is much less a driver.

What are the prospects? It seems that there is a sense of drift in Germany's ODA policy to Africa. Although there has been some criticism in Germany about the procedural aspects of the Commission for Africa endeavour, many of the recommendations are in line with German interests. However, on

¹² This section draws primarily on the Background Paper by Sven Grimm.

some of the key topics, Germany has not made a clear statement of its views. The specifics of Germany's response to the main CFA proposals are contained in the Background Paper and summarised in the Synthesis Chart in Section 4. More generally, however, there is growing internal pressure to increase aid funds motivated by German ambitions for a permanent seat in the UN Security Council. The German government has agreed a plan to reach the 0.7% ODA/GDP by 2015 (owing to the UN Security Council issue). A working group in the chancellery is currently working on plans for the financing of this plan.

EU's Africa ODA policy

The European Union operates under the headline 'external assistance'. The term is broader than ODA as defined by the DAC. Large parts of it embrace what the DAC defines as official assistance (OA), aimed at 'transformation' states. The EU is very fragmented in development assistance. Assistance to Africa, however, is mostly financed through the European Development Fund, separate from the EU budget. The fund was designed to stay under strict intergovernmental control; the EU-Commission is supposed to administer the fund according to deliberations of the Member States. It is kept out of reach for both the European Parliament and the Court of Justice. The EDF financing is negotiated between Member States and ACP states for a term of five years. The Commission represents the Union in negotiations with partner countries, but is bound by previously taken decisions by Member States on the overall funds available. This section outlines the main trends and drivers of EU's ODA policy to Africa.¹³

The key trends include:

- **Increasing aid volume:** The aid volume provided by the EU has increased substantially over recent decades.
- **Share of Africa down:** The relative share of assistance to Africa in all EU spending on external assistance, however, has decreased considerably in the last decade, owing to expansion of EU aid programmes in other regions, particularly in Central and Eastern Europe and the Mediterranean (cf. Grimm, 2004).
- **Increasing coverage:** From originally 18 recipient countries, the ACP group has enlarged and the EDF now funds interventions in 77 countries.
- **And increasing stretch:** EU aid per capita to recipient countries has fallen owing to increased country coverage, population growth and inflation (cf. Cox and Chapman, 1999).
- **Weak but improving capacity:** The gravest problem of EU external assistance has been its internal administration and understaffing; the gap between declaration and action has in the past undermined the credibility of the EC. Reforms since 2000 have improved the performance.
- **Changing sectoral allocation:** The percentage of funds dedicated to development in the areas of *governance and civil society* has increased and was at 15% in 2000, up from about seven percent in 1996-8 and 0.54% in 1986-90 (Cox and Chapman, 1999; Grimm, 2003).
- **Increasing use of budget support:** The use of budget support by the EC has increased considerably in the last five years; the Commission intends to further increase the share of budget support in cooperation with Africa (cf. EU Commission, 2004b: 95). Although it only represented 7.9% of all assistance in 1999, the figure was up to 20% in 2003. In the ACP countries, the reported share was at one-third of EC assistance in 2003 (ibid.).
- **Decentralisation:** A process of 'deconcentration' (i.e. devolution of tasks to the country offices) has taken place since 2000, and has improved the disbursement rates of the EC.

¹³ This section draws primarily on the Background Paper by Sven Grimm.

The key drivers of the EU's ODA policy to Africa include:

- **Institutional complexity:** European institutions provide some planning and funding, but European legislation is limited to common funding.
- **EU's foreign policy interests:** Africa is not the key region for the Common Foreign and Security Policy (CFSP) established in 1993 (although Africa may be growing more important). But the CFSP might pose additional challenges to the coherence of action in the future.
- **History:** The relationship with Africa was the foundation for common European external relations.
- **Intergovernmental control of ODA policymaking:** The EDF, through which most assistance to Africa is channelled, was designed to stay under strict intergovernmental control; there is currently a discussion on its inclusion into the overall EU budget.
- **Role of the Commission:** The Commission represents the Union in negotiations with partner countries on the level of ODA, but is bound by previously taken decisions by Member States on the overall funds available. It is the sole negotiator in questions of trade.

What are the prospects? Politically wilful action towards African countries remains a challenging task for the EU, given its institutional complexities and priority focus on its neighbourhood and other issues. With enlargement, policymaking is likely to become even more complicated and fragmented. However, Africa is the one region beyond the EU neighbourhood that is explicitly mentioned in the strategic objectives of the EU Commission under Commission President José Manuel Barroso for 2005-9. The Commission work programme for 2005 identifies establishing a specific strategy for Africa towards, 'A step change ... in terms of both quantity and quality.' It seems that the UK 2005 agenda might push the Commission further in this area.

However, there is some scepticism: there were no formal links between the Commission for Africa and the EU Commission. The UK as a Member State is a key player within the EU; however, it cannot steer the Union by itself. Some recommendations of the CFA will impact on the UK position within EU institutions, e.g. policy formulation on trade and agriculture. On some issues, the EU is likely to be supportive of the CFA; on others 'Europe' is likely to provide significant resistance. The specifics of the EU's response to the main CFA proposals are contained in the Background Paper and summarised in the Synthesis Chart in Section 4.

4. What is likely to happen?

In this section we return to the 13 issues that we believe are at the core of the CFA Report and the UK's 2005 agenda and have implications for other donors. We then highlight the positions of France, Germany and the EU towards these 13 key issues. Our aim here is to try to gain a preliminary understanding of what is likely to happen and assess the implications for Japan. It is important to note that we have not systematically included US positions on these issues. For ease of understanding, we have presented this in the form of a Synthesis Chart (see below).

Synthesis chart: positions of the different countries towards 13 key issues

Issue	UK Position	France	Germany	EU	Likely push	Implications for Japan
1	<p>A Focus on poverty: The CFA reports highlights poverty in Africa as ‘the greatest tragedy of our time’ and the need for ‘a big push’.</p> <p>DFID’s mission statement (and the PSA with the Treasury) is now officially summarised as to, ‘eliminate poverty in poorer countries, in particular through achievement by 2015 of the Millennium Development Goals’.</p>	<p>French cooperation is now more and more focused on poverty and inequality reduction goals, with a strong support to MDGs. France is very aware of the importance of inequality reduction as a complementary goal to poverty reduction.</p>	<p>The German development cooperation states that it focuses on poverty. Like the EU, this includes MICs, in particular: Eastern Europe and so-called anchor-states (i.e. big states important for regional stability), such as India, China, Brazil, Egypt, etc.</p>	<p>The EU understanding of poverty reduction includes MICs; the focus therefore differs from the UK perspective. It is less focussed on LICs it its overall development cooperation. With regard to Africa, the Commission, however, focuses on poverty reduction in LICs. An Africa Action Plan has been announced by the new EU Commission under Barroso.</p>	<p>A focus on poverty in Africa is widely seen as the critical development challenge.</p> <p>More broadly achieving the MDGs is the key objective.</p> <p>Most donors are less focused on the poorest countries than the UK.</p>	<p>Japan already agrees with a focus on achieving the MDGs and Africa in particular.</p> <p>There is likely to be some pressure for Japan to focus more on Africa and signs that this is happening (as indicated in the recent speech by PM Koizumi).</p>
2	<p>Governance and capacity building: This is the key issue in the CFA Report. The broad push is towards improving capacity and accountability. There is a major focus on higher education (particularly S&T) and initiatives on repatriating assets of corrupt leaders and initiatives on foreign company bribe givers.</p> <p>DFID has expanded work on governance; priorities building effective states (strengthening accountability, promoting the rule of law, improving access to justice, promoting democracy, human rights and anti-corruption initiatives).</p>	<p>France has strongly supported the NEPAD initiative and the <i>African Peer Review Mechanism</i> is seen as useful. The <i>improvement of the fiscal capacity</i> of African public administration is of particular relevance for French cooperation. The question of <i>budgetary and fiscal information production and dissemination</i> for transparency is particularly relevant.</p>	<p>German assistance has a high share of technical cooperation; the traditional emphasis is on ‘non-political’ cooperation and support for NGOs. The cooperation under the Cotonou Agreement. This, however, has not yet happened in practice. Capacity building in the area of trade is one of the EU’s major areas of engagement and strong links exist to the AU Commission.</p>	<p>Governance has been pushed up the EU agenda in the last years (since 2000). High levels of corruption can theoretically lead to suspension of the cooperation under the Cotonou Agreement. This, however, has not yet happened in practice. Capacity building in the area of trade is one of the EU’s major areas of engagement and strong links exist to the AU Commission.</p>	<p>Governance and capacity building are widely seen as critical for development in Africa. There will be some push in this area and the concepts are vague enough for most donors to get behind.</p> <p>The broad push will be complemented by specific initiatives at the G8 for donor countries regarding banking and bribes. These include the commitment to the EITI, UN Convention on Corruption and Principles for Asset Return.</p>	<p>Japan finds it easier to engage with issues of capacity and technical assistance than political governance. It usually accepts the existing governance situation. However, governance challenges are seen as increasingly central, but are areas where Japan has limited capacity. In due course, Japan will need to engage more with governance in developing countries.</p> <p>In the short term, there will be focus on Japan’s positions regarding specific initiatives such as EITI etc.</p>

Issue	UK Position	France	Germany	EU	Likely push	Implications for Japan
3	<p>Peace and security: In particular, support for the African Union and UN to help prevent and resolve conflict.</p> <p>DFID shares PSA targets with the FCO on conflict prevention and specific collaboration on conflict prevention (DFID, MOD, FCO) has been noted.</p>	<p>France is backing the recommendations made by the high-level panel on the UN reform (mobilisation and coordination of international actors, creating a permanent fund for emergency operations for peace consolidation, strengthening conflict prevention capacities of the international community). Concerning the <i>financing of post-conflict operations</i>, France – with IMF, WB, EU, AfDB – is already involved in various new mechanisms.</p>	<p>Germany has traditionally emphasised conflict prevention, rather than conflict management (owing partly to limited sovereignty and very limited capacity). Recently, the sector has gained a higher profile and more acceptance in the German population. It is still, however, in an initial stage. The UK experience of coordination of different line ministries is often seen as guiding for German endeavours.</p>	<p>In particular, support for the African Union and UN to help prevent and resolve conflict (<i>inter alia</i> the Africa Peace Facility, i.e. funding for AU peace missions). Interregional relations are important for the European Commission, and continued strong support for the AU very likely. With further advances in Europe's CFSP, the issue of peace and security will gain prominence and is likely to become the second main policy field (besides trade issues).</p>	<p>There seems to be some support for the broad initiatives in this area. In particular, three ideas seem to have support: (i) African standby forces; (ii) support for regional institutions; and (iii) working through the UN related to the high-level panel report.</p>	<p>Given increasing recent emphasis on human security, this is seen as an opportunity for Japan. It implies more engagement with fragile states. There is scope for Japan to engage with non-military approaches to post-conflict reconstruction.</p>
4	<p>Health, especially progress on HIV/AIDS: 'Almost half of the extra aid we recommend should be spent on health, education and HIV and AIDS.'</p> <p>The UK has pushed strongly on health issues, focusing particularly on HIV/AIDS, malaria and tuberculosis, but also more generally on strengthening health systems.</p>	<p>The main principles are health care for all and the fight against transmissible diseases through participation to the Global Fund. <i>Public-private partnership</i> is seen as a means to improve health care system efficiency, together with the mobilisation of additional sources of finance.</p>	<p>Not a high profile sector in German cooperation. However, HIV/AIDS is an important area of engagement, particularly supported by the German public and the NGO sector. The area of social service delivery is important, also for financial cooperation (about a quarter of KfW financing). Increasingly, cooperation addresses sector reform and administration (technical cooperation). Water and sanitation is a key sector for German cooperation, though.</p>	<p>Not seen as a comparative advantage of the EU Commission. However, it is an important area of intervention under the heading 'access to social services'. This sector is mostly defined by its instruments; it is one of the major areas for EU budget support.</p>	<p>There seems to be support for the broad initiatives in this area.</p> <p>The additional issues in this area are that (i) increased funding for health is a key component of doubling aid; and (ii) increased funding for health is envisioned as primarily through direct budget support, including recurrent costs and over a number of years.</p> <p>There are also real issues of capacity and brain drain.</p>	<p>This importance of health issues is long accepted in Japan – it is a core component of the TICAD agenda.</p> <p>Questions remain over how best to achieve the objectives (i.e. around aid quantity and modalities). Japan will need to join the debate on these issues.</p>

Issue	UK Position	France	Germany	EU	Likely push	Implications for Japan
5	<p>Education: In particular, providing 'proper' support for the Education for All initiative (e.g. donors pay for removing primary school fees).</p>	<p>The main objective here is implementing the Fast Track initiative (MDG Targets 2 and 3), along the lines defined in the Forum de Dakar in April 2000: Education for All. Several peculiarities: the focus on basic education should not impede the necessity to improve the elite formation.</p>	<p>German cooperation here sees one of its areas of particular expertise; training and job formation (along the German set-up) are seen as 'exportable models'. Expertise is also given on how to reform the sector in partner countries (technical cooperation).</p>	<p>Not seen as a comparative advantage of the EU Commission. However, it is an important area of intervention under the heading 'access to social services'. This sector is mostly defined by its instruments; it is one of the major areas for EU budget support.</p>	<p>There seems to be support for the broad initiatives in this area, and particularly for EFA. The additional issues in this area are that (i) increased funding for education is a key component of doubling aid; and (ii) increased funding for education is envisioned as primarily through direct budget support, including recurrent costs and over a number of years. There are also real issues of capacity and brain drain.</p>	<p>This importance of education issues is long accepted in Japan – it is a core component of the TICAD agenda. Questions remain over how best to achieve the objectives. Japan will need to join the debate on these issues.</p>
6	<p>Growth: Broad efforts to improve the investment climate, but particularly including 'double spending on infrastructure' from small roads to large power projects to ICTs. DFID has been putting in much effort to improving understanding of what constitutes a good investment climate and how to bring this about. DFID policy is particularly close to the suggestions in the 2005 World Development Report, <i>A Better Investment Climate for Everyone</i>. http://econ.worldbank.org/wdr/wdr2005/</p>	<p>Growth is seen as essential for the fight against poverty along with sound distribution policies. There is a focus on infrastructure. Complementarity between public and private investment is also emphasised.</p>	<p>Would probably not be contested by German government, but the focus in development cooperation is, however, slightly shifted towards 'sustainable growth', i.e. including social and environmental impact.</p>	<p>Described as crucial in development efforts. In particular, the EU is active in infrastructure, transport, and support for capacity building in trade, to improve growth potentials in Africa. Regional integration in Africa is also seen as a vehicle to increase growth (economies of scale).</p>	<p>There seems a consensus that productive sectors have been left off the agenda and this is being remedied. Therefore, much support for initiatives to promote growth, particularly around infrastructure issues. There is also agreement on the importance of agriculture to overall growth in Africa.</p>	<p>There is a real opportunity for Japan here. Japan will welcome the emphasis on the productive sectors – infrastructure and agriculture in particular. Japan may feel more comfortable supporting this sector than some of the others and is an issue where Japan can bring its experience from East Asia.</p>

Issue	UK Position	France	Germany	EU	Likely push	Implications for Japan
7	<p>More trade and fairer trade: For donor countries, this means (i) abolishing 'trade-distorting subsidies to their agriculture and agribusinesses'; (ii) 'lower tariffs and other non-tariff barriers to African products'; (iii) 'completing the Doha round of World Trade talks in a way which does not demand reciprocal concessions from poor African nations'; and (iv) 'providing transitional support to Africa as global trade barriers are removed.'</p>	<p>Main principle: cautiously managed liberalisation of trade, taking account of the peculiarity and fragility of several African economies. The dependency on commodities' exports and the specific structure of most of African economies justify a special treatment during the liberalisation process of trade (e.g. Economic Partnership Agreement – EPA). There is divergence from the UK.</p>	<p>Quite unclear position of the German government on this. The development ministry is sceptical about the paramount position of trade and rather in line with NGOs. The BMZ is highly critical of EU agriculture policy, but Germany's position on agriculture in the EU institutions is taking French interests into consideration and therefore rather low-key. Farmers are strong lobby in Germany. Non-tariff barriers are rather seen as helpful as measures for protection of consumers and the environment.</p>	<p>This is the core of EU development policy towards Africa. All EU Member State initiatives in this policy area will have to be channelled through 'Brussels'. The EU is currently negotiating EPAs with regional organisations in ACP countries. The EU also has an interest in concluding the Doha round and is committed to liberalising trade. However, its concessions in agricultural products are likely to be limited. Particularly important are two issues related to trade: <i>rule of origin</i> (relatively strict in the EU, e.g. in Everything-but-Arms), and <i>non-tariff trade barriers</i> (EU consumer protection policy). Far-reaching decisions, however, are unlikely.</p>	<p>Trade – and Doha in particular – will very much be on the G8 Agenda. Peter Mandelson is a key player. There will be great efforts to make progress, but there is also much conflict among the key players. Access and capacity are the key issues in the CFA. However, perhaps progress will be easiest on the supply/capacity side.</p>	<p>There is divergence among Europe governments and the G8. Japan should develop its agenda on the basis that there will be little change in European policies, particularly in agriculture. There is much NGO focus on this issue. Further market access in Japan is unlikely, the Ministry of Agriculture is unlikely to liberalise further, and 90% of LDC products have quota free access to Japan.</p>
8	<p>Increase aid: By an additional US\$25bn per year by 2010 and then, pending review, by another US\$25bn per year by 2015. Both major political parties in the UK have committed to achieving the UN target of an aid programme equivalent to 0.7% of GDP by 2013. UK aid to Africa will increase considerably in coming years.</p>	<p>There is a strong convergence between France and UK on the necessity to find additional external resources to finance the MDGs. Increasing the volume of aid will have to be implemented in parallel with improving its quality. France also supports a tax on aviation.</p>	<p>The BMZ is pressing for more aid, and is increasingly arguing for the need to do so in order to 'substantiate' the German ambitions for a permanent seat in the UN Security Council. Government as a whole, however, does not prioritise development assistance. Very high unemployment, still high costs of unification, and little growth in Germany make a sudden leap in development assistance unlikely and will impede a strong German commitment in this matter.</p>	<p>The EU Commission will push for more external assistance, if the EU budget is not capped at 1% GNP. EU enlargement, however, has 'diluted' European interest in Africa among the EU membership. Africa is likely to be lower on the agenda than, say, the immediate neighbourhood (the Mediterranean and Eastern Europe). EU funding for Africa is likely to remain around the current share and thus increase in absolute amount.</p>	<p>Although there are many commitments to increase aid, realistically dramatic increases will need to come from new, innovative mechanisms rather than current approaches.</p>	<p>There will be pressure for Japan to increase aid to Africa. PM Koizumi has committed to double aid to Africa. There are two issues here: (i) overall increases – limited scope owing to fiscal constraints in Japan; and (ii) reallocation (from East Asia, especially China) – there should be scope. But HIPC has caused challenges owing to Japan's emphasis on loans (there may be ways around this). An increase, with a focus on a few partner countries, is seen as a useful first step.</p>

Issue	UK Position	France	Germany	EU	Likely push	Implications for Japan
9	<p>Improve the quality of aid: 'Above all, it must be given in ways that make governments answerable primarily to their own people' and 'more grants, more predictable and untied aid, and donor processes that are less burdensome' as well as 'better harmonised' and 'better in line with the priorities, procedures and systems of African governments'.</p>	<p>France supports efforts to improve <i>the quality of aid</i> through more coordination with other donors for more coherence. Untying aid, increasing the share of budgetary and programme support in ODA are necessary for this improvement.</p>	<p>The discussion is in an initial stage in Germany. It focuses rather on reforming the German institutions (i.e. reducing their multitude). Budget support, for instance, is used very hesitantly, owing partly to legalistic arguments on the German donor side and concerns about the misuse of funds (corruption).</p>	<p>The improvement of <i>aid delivery</i> has been at the core of the EU reform since 2000. The discussions on the quality of aid, however, are on different levels than in the Member States. Emphasis is put on the partnership principle. However, the Commission is under pressure to speed up disbursements. For both reasons, budget support is likely to increase even further.</p>	<p>This is a crucial area and it seems like efforts to improve the quality of aid are gathering steam. A worry is whether the push on aid quantity will distract efforts away from improving aid quality.</p> <p>Key issues include: direct budget support; untying; technical assistance – demand rather than supply-driven; and harmonisation.</p>	<p>This is certainly an area where Japan will be under pressure regarding the old effectiveness issues as well as the new aid agenda.</p> <p>In 2005, the issue of direct budget support and recurrent costs – especially to health and education – are key issues to consider.</p> <p>In the longer term, key issues include: untying; selectivity; the harmonisation agenda; technical assistance.</p>
10	<p>Frontload aid: Through the immediate implementation of the International Finance Facility (IFF). UK will be strongly seeking support for this.</p>	<p>Supports the IFF. France, through Chirac, is also in favour of an international tax based on very large international flows, like the taxation of aviation (to come after the IFF).</p>	<p>The IFF is considered to be an interesting model (particularly with regard to German budgetary constraints). German government, however, stresses the need for sound refinancing. Observers in Germany point to possible constitutional problems with binding commitment of future development assistance to refinancing the IFF bonds, as this would tie future parliaments. Culturally rooted hesitations towards loan-based financing are stronger in Germany than in the UK.</p>	<p>There is no EU position on this. The EU as an institution is not allowed to make expenditure that is not previously provided for by own income or Member States' contribution. The EU cannot make debts.</p> <p>The decision by Eurostat on the inclusion of spending under the IFF model of funding into the statistics for budget deficits has made an increase in spending for aid more difficult for a number of EU Member States.</p>	<p>It remains unclear whether the full IFF will proceed – see paper by Andrew Rogerson for details. It is more likely that the pilot will proceed. This would provide a new source of funds and the disbursement mechanism would be GAVI. If it works, there would be impetus for the full IFF.</p>	<p>As a result of a UK push, Japan will need to take a position on the IFF. There remain divergences in the G8 over the full scheme. Japan is not enthusiastic about the IFF. Japan will be encouraged to join the pilot scheme – the International Finance Facility for Immunisation (IFFim) – and give qualified support for the full scheme.</p>

Issue	UK Position	France	Germany	EU	Likely push	Implications for Japan
11	<p>Cancel debt: The CFA Report calls for '100 per cent debt cancellation as soon as possible'.</p> <p>The UK is pushing strongly on debt relief. Since 1999, the UK has written off 100% of bilateral debt to post-Completion Point HIPC and also the vast majority of the poorest Commonwealth countries' bilateral debt to the UK. Since 1 January 2005, the UK has also implemented a multilateral debt relief initiative, paying its share of certain poorest countries' debt service. Lobbying continues to encourage other donors to participate.</p>	<p>France does not share the CFA proposition concerning 100% multilateral debt relief (or the approach of grants for debt relief). A country-by-country approach, using the new framework for debt sustainability analysis, is seen as a better solution than a 'one size fits all' solution. The C2D mechanism is a French initiative intended for the treatment of bilateral public debt alongside with the HIPC multilateral debt initiative. The French focus more on sustainability and diverge from the UK.</p>	<p>German NGOs are particularly active in this sector, pressing for debt cancellation. The Finance Ministry, however, has not made a definite statement on the issue. It could increase the German budget deficit; with regard to the EU stability (even in its reformed version of March 2005), a strong German position will be difficult to obtain (see point 8, and for the EU: point 10).</p>	<p>The EU does not have a mandate in debt policy. Its assistance is given as grants in the overwhelming proportion. Debt policy and debt cancellation remains Member States' competence.</p>	<p>The UK has managed to convince the other G8 Finance Ministers to support a 100% multilateral debt relief initiative for HIPC countries. There is also scope to extend the scheme for heavily indebted non-HIPC countries.</p>	<p>This scheme will be endorsed at the full G8 Summit.</p> <p>Japan had reservations about debt relief and will need to follow implementation. There were some uncertainties and inconsistencies in the initiative that need to be addressed.</p>
12	<p>Pan-African institutions: There is much focus on African regional institutions in the CFA Report, regarding governance, peace, growth, etc.</p>	<p>France particularly supports Zone Franc regional organisations.</p>	<p>German already keen and supports the AU and the AfDB.</p>	<p>Regional organisations not a big emphasis for the EU.</p>	<p>There is likely to be a push for further support to such organisations. There is a feeling that they need support, but questions remain about how. Some organisations are not seen as functional.</p>	<p>No major issues here. Japan already supports regional organisations, but is cautious about parallel structures.</p>
13	<p>Mutual accountability: There is a whole range of issues about how to ensure what is agreed actually gets done. This could be via (i) eminent persons who review and advocate to the G8 on Africa or (ii) via the Africa partners forum. The key is a system of accountability for donors.</p>	<p>France would likely be favourable and is already doing something in the Zone Franc.</p>	<p>The exact procedures will be critical to Germany's views – likely to be some scepticism about the value over existing mechanisms.</p>	<p>Mixed views – there is much that can be learned from the EU in terms of Lomé and Cotonou.</p>	<p>Something will happen although there is much to discuss in terms of the specific mechanisms.</p>	<p>Japan will be under pressure to join the mechanisms, but will wonder why this is needed given the DAC and G8. Also, accountability is often seen in terms of domestic constituencies.</p>

NB: Another issued discussed: All donors agree on the importance of access to safe water supply and basic sanitation.

Box 2: The International Finance Facility (IFF)

In 2003, UK Chancellor Gordon Brown proposed that international aid efforts be more than doubled to rise to the challenge of meeting the UN's Millennium Development Goals. This would mean an extra US\$50 billion a year mobilised from now until 2015. The proposed mechanism to enable this was dubbed the International Finance Facility (IFF).

The scheme uses bond markets to bring forward cash for development faster than aid budget increases can realistically materialise. Irrevocable rich country pledges for future years are securitised by a new entity that issues long-term bonds with this solid backing, subject to some exclusions or 'high-order' conditions ruling out aid in given circumstances. The proceeds of these bond sales are then handed out as grants to existing development agencies, exclusively for anti-poverty programmes in low-income countries. Several years later, rising (hopefully, see below) aid budgets will be used to pay off bondholders.

There are a number of key issues under discussion:

- The way the IFF provides a way to frontload aid
- Criteria for allocation
- Governance of the IFF
- Investment choices and redistribution
- Scoring rules for national accounts purposes
- The acid test of development results
- (The pilot) International Finance Facility for Immunisation (IFFIm)

Reported status of support (end Feb 2005)

Country	IFF	IFF-IM
UK	Yes	Yes (US\$1.8 billion)
France	Yes	Yes
Germany	Yes as to principle	Interested
Italy	Yes	Interested
Japan	Reserved	Possible interest
US	Negative	Reserved
Canada	Reserved	Possible interest
Sweden	Yes as to principle	Yes
Spain	Interested	Interested
Ireland	Reserved	Possible interest
Austria	Interested	Interested
Belgium	Not known	Possible interest
Norway	Reserved	Possible interest

What is the view of Japan? Japan's formal statements, dating back to the September 2004 Bank-Fund Annual Meetings, have been extremely reserved both as to the principle and its (apparent) applicability in the Japanese institutional context. There are a number of issues here. First, the IFF would be a way for Japan to raise the level of its ODA (if it wanted to). Second, although regulations have been cited as ruling out any off-budget interpretation of IFF pledges in these jurisdictions, such opinions can not be based on assessing detailed IFF governance specifications, because these have yet to be decided. Third, the effective launch of the IFF-IM prototype would generate much more confidence. Fourth, Japan is likely to come under considerable pressure from the UK, since the IFF without both the US and Japan would meet only a very small part of the MDG funding gap.

What is likely to happen next? Predicting the course of events for the IFF is at best an imprecise science as, among other things, fundraising discussions are proceeding in parallel with development of governance arrangements; each is to some extent contingent on the other, and external factors beyond the sponsors' control (notably the ruling on accounting issues by Eurostat) have to be factored in. In the immediate future, the IFFIm proposal is being finalised in full contractual detail and submitted to the UK's statistical office (ONS), and through the latter to Eurostat – as national accounts' definitions are standardised at the level of the latter, even for non-Eurozone EU members. A ruling by Eurostat is expected by May, which would then set the stage (subject to secured funding) for IFFIm to be launched in time for the Gleneagles summit of the G8.

Continues...

Box 2 continued.

The EU dimension is unusually important: the IFF could be a lock-in mechanism for countries which need substantial increases in ODA to reach the EU goal – such as Germany and Italy. And at the same time it softens the objections of the Nordics and other non-G7 countries (e.g. Netherlands, Ireland, Luxembourg) either committed to a faster timeframe, or having long ago reached the goal. Subject to the successful launch of IFFm, the go-ahead for an expanded IFF can be expected as early as the end of 2005 or early 2006.

There remain several major unknowns. One, given the likely abstention from the IFF of the US and Japan, at least initially, is the likely minimum and maximum scale of the initial IFF that could both receive material support and pass the tests of diluted control and economies of scale in transaction costs. It is probably realistic to imagine a package in the range of US\$10-20 billion, over and above IFFm, in the first instance. However, the UN Special assembly in the MDG may highlight the IFF as the only vehicle that would allow the MDGs to be taken to scale.

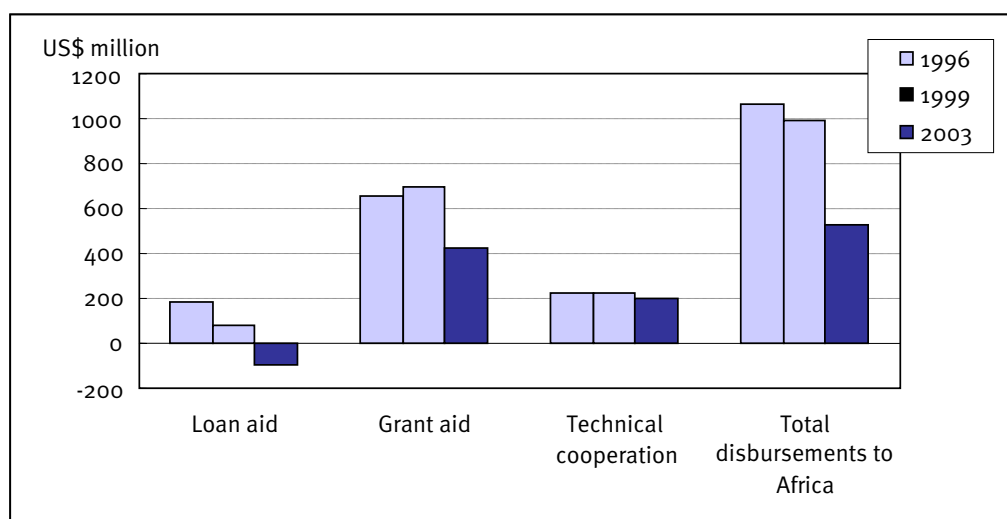
Source: Background Paper by Andrew Rogerson.

5. Japan's ODA policy towards Africa

Before we can highlight the implications for Japan of the analysis above, we need to provide some context information regarding Japan's ODA to Africa (trends and drivers). This section is based on our extensive discussions and meetings in Tokyo, the workshop at ODI involving Japanese ODA stakeholders and the background information provided by Izumi Ohno and Motoki Takahashi. It also draws on a literature review, particularly the latest OECD/DAC Peer Review of Japan.

Japan's ODA programme has undergone major reforms in recent years. The Ministry of Foreign Affairs (MOFA) now plays a core role within the ODA policy structure. Within MOFA, the Economic Cooperation Bureau has responsibilities for ODA policy formulation, interagency coordination, and grant aid management. Of the two implementing agencies, JBIC is responsible for loans. The other, JICA, is responsible for much of Japan's technical assistance. JICA is currently increasing its commitment to Africa, particularly in the areas of peace building and human security, under its President Sadako Ogata. The Ministry of Finance also has an ODA role through its liaison responsibilities with the IFIs and links to JBIC. There are about 10 other ministries responsible for additional ODA operations (mostly technical cooperation). This section outlines the main trends and drivers of Japan's ODA policy to Africa.

Figure: Japan's bilateral ODA to sub-Saharan Africa by type



Note: The ODA amount is calculated on a net disbursement base.

Source: Japan Ministry of Foreign Affairs (1997, 1999, 2004).

The key trends regarding ODA to Africa include:

- **Decreasing aid to Africa:** Japan's aid to Africa has halved between 1996 and 2003 – and fell further in 2004. In particular, loans to Africa have decreased dramatically in recent years owing to the HIPC initiative. More broadly, at the 2002 Monterrey Conference, Japan was one of the few DAC members unable to commit to maintaining or increasing ODA.
- **Institutional changes:** Not specifically related to Africa have been significant institutional changes. The MOFA has become the *de jure* coordinating body for the diverse implementing institutions of ODA. A Board on Comprehensive ODA strategy was established within MOFA. The former Overseas Economic Cooperation Fund (OECF) and the Export-Import Bank of Japan (JEXIM) merged into JBIC in 1999. The legal status of JICA was changed in 2003 to make it more autonomous. Reform within JICA is notable.
- **Priority Asia:** For geographical, strategic and commercial reasons, Japan has focused on Asia (currently 74%) rather than Africa (currently 8%).

- **Loans:** Loans are a prominent feature of Japanese bilateral aid, but loans to Africa have decreased dramatically in recent years. In net terms, Japan now receives more in repayments than it disburses to Africa. Japan's involvement with debt relief is rising.
- **Sectoral priorities:** Japan has traditionally focused on productive sector, mostly economic infrastructure. Its allocation in the social sector tends to be directed to universities, research institutions, urban water systems or hospitals. Only a small portion is directed towards basic services. There is increasing emphasis on 'human security' as an overarching concept for Japanese ODA (see Box 3).
- **Stronger country focus and new modalities:** 'Japan is now putting in place a country strategy and a country based team approach ... Although Japan continues to organise its programmes mainly on a project basis, it remains open to whatever modality seems to make the most sense, including sector programmes.' (DAC Peer Review) Japan is establishing field based ODA task forces.
- **Increased poverty emphasis:** The new ODA Charter gives poverty greater emphasis, but promoting economic development remains the priority.
- **Tying:** Japan retains the practice of tying of ODA grants to Japanese primary contractors.
- **Visibility:** Japan also likes to have projects that are visible – to the public in Japan and in recipient countries. The Diet is particularly concerned with this issue.
- **TICAD:** the first conference was important, but the value added is questioned with each successive conference. Asia-Africa collaboration is perhaps the most innovative element.

Box 3: Japan's Human Security approach

President Ogata of JICA jointly led the UN Human Security Commission with Amartya Sen in 2003. She has been a major driving force behind the introduction of this concept as a key approach for JICA and Japanese ODA since becoming President of JICA in October 2003.

For Japan, human security basically refers to individuals having 'freedom from fear' and 'freedom from want'. Mrs Ogata has explained this as helping to rescue development from the predation of security but operationally does not appear dissimilar from earlier concepts well-known in the UK such as livelihood promotion and livelihood protection. Despite the obvious importance of the concept, there remains some uncertainty about what it actually means operationally and the extent to which it actually implies that current approaches should be significantly altered.

JICA's Seven Principles of Human Security

1. Reaching those in need through a people-centered approach
2. Empowering people as well as protecting them
3. Focusing on the most vulnerable people, whose survival, livelihood and dignity are at risk
4. Comprehensively addressing both "freedom from want" and "freedom from fear"
5. Responding to people's needs by assessing and addressing threats through flexible and inter-sectoral approaches
6. Working with both governments and local communities to realize sustainable development
7. Strengthening partnership with various actors to achieve a higher impact from assistance

Source: JICA Human Security Office presentation and discussions, June 2005.

Table 5: Evolution of Japan's aid to Africa: five phases

Phases	Japan's aid policy	Aid policy to Africa
1 st 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
2 nd 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
3 rd Phase 1981 (five-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
4 th 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 and exploring new aid initiative in Africa
5 th 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 HIPCs • Linking aid to peace building • Development partnerships • Supporting NEPAD/AU

Source: Sato (2004)

The key drivers of the Japan's ODA policy to Africa include:

- **Japan's philosophy and own experience:** Japan's approach is based on its philosophy of 'self-help' and its own experience of borrowing from the World Bank for its post-war reconstruction. This explains some of the main contours of its ODA approach (request-based, projects, loans, etc.) (Nishigaki and Shimomura, 1999; Ishikawa, 2005).
- **Experience as a donor in East Asia:** Japan's approach is also based on its successful experience as a donor primarily to East Asia (Ishikawa, 2005).
- **Japan's domestic economic situation:** Japan's economic stagnation and weak fiscal situation has led to a sharp decline in ODA over recent years and limits the scope for future increases. Japan's ODA budget has declined each year for the past six years, to a current low of 0.19% of GNI or US\$8.9 billion dollars.¹⁴ There is also, therefore, a growing push to focus on issues of aid effectiveness.
- **Japan's foreign policy interests:** Aid is seen as an instrument of diplomacy. This has remained so given the central role of the Ministry of Foreign Affairs in aid policy and is likely to remain so given the renewed push for a UN Security Council seat.
- **Japan's economic and commercial interests:** These have always had an influence – and the links between aid and the private sector were key to Japan's development contribution in East Asia. Some argue these are becoming somewhat less influential (Arase, 1995).
- **Geography:** 'Japan's interaction with Africa to date has been extremely limited. One reason is that Africa is geographically distant from Japan and apart from a very small number of specialists, our knowledge and experience with regard to its particular politics, society, financial affairs, economy and especially history is extremely meager.' (Ishikawa, 2005.)
- **Japanese public:** Africa is marginal – the public ask 'why Africa?' NGOs are relatively weak on development issues, particularly regarding Africa.
- **Centralised ODA policymaking:** There are a number of issues here. Decision making is certainly concentrated in Tokyo rather than country offices. Coordination within ministries is seen as strong, but across government is weak on development assistance.

¹⁴ This should be put in context: Japan spends US\$44 billion dollars on farm subsidies each year.

- **Lack of capacity:** Japan continues to be one of the more thinly staffed systems among DAC Members. Its overall human resource capacity is further reduced by the fact that MOFA development staff and those seconded by other ministries rapidly rotate out of development co-operation.' (OECD/DAC, 2004.)

What are the current issues and prospects? It seems that Japan is approaching a crossroads in its ODA policy towards Africa. Some institutional reform has occurred with regard to ODA, although the full impact has yet to be seen. Japan's economic situation is beginning to improve, but the fiscal situation remains tight. On 22 April 2005, Prime Minister Koizumi announced that Japan would double its aid to Africa (to US\$1.6 billion) over the next three years.¹⁵ This still needs to be negotiated by the MOF and MOFA. There may be some reallocation from Asia to Africa as traditional recipients there graduate from aid.

Externally, the 'new aid agenda' has challenged the relevance of Japan's approach to aid to Africa (Ohno, 2005 and Takahashi, 2005). The CFA has also put a range of issues on the table to which Japan will be asked to respond at the highest political level. The discussions over 2005 are also likely to take place within the context of Security Council reform and Japan's bid to become a permanent member.

Box 4: Towards Japan's renewed ODA engagement in Africa

General points for an approach

- Create a success model(s), focusing on selected countries ('demonstration effects').
- Flexibly mix bilateral and 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. For example, promoting productive sector and 'real-sector' concerns; reinterpreting ownership in the African context.

Case study from Ghana

Japan faced drastic changes in the aid environment in Ghana: suspension of ODA loans and the resultant major reduction in aid volume. New CAS (under way) attempts to:

- Enhance policy predictability and alignment to GPRS.
- Focus on productive sectors by supporting rural and agricultural development, SME, and the governance agenda.
- Scale up the experiences gained through projects and contribute to the content of policy and institutional reforms, building on the initiative by the field-based ODA Task Force, and on broad partnership.

Source: Ohno (2005) and see workshop report.

¹⁵ To put this in context: the Commission for Africa called for an extra US\$25 billion this year for Africa – the Japanese share was calculated as US\$4 billion.

6. What are the implications for Japan?

This section draws together the analysis; we now have an idea of what the UK is pushing for with regard to African development and the areas where France, Germany and the EU agree or diverge. From this, we can pull out a relatively short list of issues around which there are clear implications for Japan. There are some '2005 issues' on which Japan will need to make its position clear. The analysis also highlights a range of key decisions concerning African development which Japan is likely to face in coming years.

Five decisions for 2005

Based on the issues the UK is going to push and an assessment of the responses of major European donors, there appear to be five issues on which Japan is going to need to make decisions on at the G8 meeting (and then at the MDG Summit).

1. **Increasing aid volume to Africa:** The CFA has called for an additional US\$25bn a year for Africa – of which the Japanese share is estimated at US\$4bn per annum. Aside from the US, other donors are committing to meeting targets to increase ODA as a percentage of national income. Prime Minister Koizumi recently committed to doubling aid to Africa over three years – an additional US\$0.8bn per annum. Despite the commitment to double aid to Africa, the external view is that Japan does not pull its weight in terms of development finance in general and to Africa in particular, so there will be pressure on Japan's position. Internally, a decision on increasing aid to Africa will need to work its way through the overall ODA budget systems in the Ministry of Finance and Ministry of Foreign Affairs. Given Japan's fiscal constraints, this is likely to mean some reallocation (mostly from the East Asia) as well as some additional ODA. However, commentators from JBIC noted that it is difficult to see a major reallocation of ODA funds from East Asia. Moreover, the ODA loan budget is not earmarked by region or sector but rather by aid modalities.
2. **Supporting the International Finance Facility:** Of particular significance in 2005 is the proposal for the IFF, aimed at doubling aid volume to achieve the MDGs. The UK, particularly Chancellor Gordon Brown, is strongly pushing this initiative, which will provide a way to frontload aid to help meet the MDGs. Divergences remain in the G8 as to the full scheme and there is also little enthusiasm in Japan. There is much more widespread support for the International Finance Facility for Immunisation (IFFIm). It is likely that Japan will be encouraged to join the pilot scheme and give qualified verbal support to the full scheme, even if financial support is not possible at this stage.
3. **Debt relief:** The CFA Report has called for 100% debt relief. The UK was pushing a multilateral debt relief initiative. Despite major divergences within Europe and the G8 (Japan, Germany and France preferred a debt sustainability initiative), the G8 Finance Ministers agreed to a multilateral debt relief initiative. This will be endorsed in Gleneagles – although there still remain some implementation issues to be sorted out.
4. **Aid quality: untying, harmonisation and budget support:** The CFA Report argues: 'donors must significantly improve the quality of aid and how it is delivered: that means more grants, more predictable and untied aid, and donor processes that are less burdensome on the already stretched administrations of African countries. It must also be better harmonised with the aid of other donors and better in line with the priorities, procedures and systems of African governments. Above all, it must be given in ways that make governments answerable primarily to their own people.' The key issues for Japan here are untying, harmonisation and budget support (and there are very different trajectories). Untying has been on the agenda for a long time, and there have been recent agreements on harmonisation. The evidence remains limited, but the CFA (2005) has argued that 'the best way to deliver that support is to put aid into African government budgets and let them prioritize the spending of it'. Budget support probably provides the most challenging issue that Japan will need to address. While Japan already

provides such support to a couple of countries in Asia, there seems limited scope to extend the approach in Africa beyond the current pilot in Tanzania.

5. **Mutual accountability:** The CFA Report notes: ‘to add extra force to our recommendations this Commission proposes an independent mechanism to monitor progress on the implementation of what we have proposed. This could, for example, be led by two distinguished and influential figures who carry weight in the international community, one African and one from the donor community, who could produce a short, open and focused annual report. They should be supported by a small unit within an existing international or African institution.’ Behind this is the belief there needs to be a better system of accountability for donors and African governments. For donors, there needs to be better means of making them live up to their promises. Existing approaches do not have sufficient clout. The UK is likely to push for the eminent persons approach identified above, but another option would be via the Africa partners forum. Other initiatives may emerge. These would be public mechanisms and it is likely that this would be linked to G8. However, other donors are not inspired by the proposed approach to mutual accountability. It also puts the issue of accountability to recipients more central to the aid relationship, whereas domestic accountability has been the norm to date. There are important implications: such mechanisms would open the door to criticising donors – including Japan. It is hoped that donors will sign up to some form of mechanism in July. Japan will be under pressure to join and will need to find options it supports.

Japan’s aid to Africa: longer-term issues

The focus on Africa in 2005 and the decisions made on international development policy will have a legacy. Japan’s aid to Africa seems set to increase – perhaps double – over the next few years. Its aid system has seen reform in recent years: a new ODA charter in 2003; new initiatives in poor countries; formation of country assistance programmes in alignment with PRSPs (and direct budget support in the case of Tanzania); and agreement to the Paris Declaration on Harmonisation. However, Japanese stakeholders feel that they are facing many issues with the 2005 Africa Agenda and the ‘new aid agenda’ more broadly. We identify eight issues – both challenges and opportunities – for Japan’s aid policy towards Africa. Some have implications that are technical, others are more political.

1. **Africa and Japan’s aid quantity – development vs. national interest:** International development assistance efforts have become increasingly focused on Africa and Japan is going to remain under pressure to do more for the region.¹⁶ The major political challenge within Japan will be how to increase aid to the region when Africa is basically marginal to Japan’s economic and political interests (and public interest). Overall fiscal restraints in the short term are likely to mean that any aid increase to Africa will come from reallocation – a China or East Asia dividend. This makes the key arena the negotiations within and between the Ministry of Finance and Ministry of Foreign Affairs – as well as the implementing agencies of JICA and JBIC. In the short term, this is likely to be very difficult; as East Asia is graduating from aid, there may be more scope over time.
2. **Selectivity and reaching the poorest:** There is much discussion about selectivity in both the CFA Report and the UN Millennium Project Report (as well as in the US Millennium Challenge Account). This involves identifying selected countries and making a large amount of money available. A technical question deals with identifying African countries where increases in aid would be used effectively. Another issue is that there is increasing emphasis in the UK (though much less with the big European donors) on focusing on the poorest countries and fragile states. Japan has not traditionally discussed selectivity issues in depth. However, in Japan’s evolving aid strategy towards Africa, Japanese stakeholders suggest that Japan may want to concentrate on a few countries with which it is more familiar. Such a strategy would be more pragmatic and politically acceptable within Japan, and could provide a demonstration effect. It has been pointed out that Japan has not conducted a thorough analysis of African

¹⁶ There do remain technical questions about whether Africa actually needs more aid. See: Killick (2004); Warrenner, Perkin and Court (2005); Lockwood (2005).

countries (Tanzania is one the few exceptions). There will, however, be issues of donor coordination; otherwise, some countries in Africa will get ‘missed out’.

3. **The opportunity of infrastructure:** One of the biggest development stories of 2005 has been the rediscovery of infrastructure (as part of a broader emphasis on economic growth and the productive sector). This is a big opportunity for Japan: it is an area where Japan has a comparative advantage and an issue to which it can bring its experience from East Asia. There is already discussion among JBIC, the World Bank and the African Development Bank regarding an infrastructure study for Africa.¹⁷ Ongoing discussions regard a consortium as a means of effective management of resources among the major players in this area. It will be difficult to provide large spending quickly, owing to the extent of project lead times. Given the naivety in the current international debate, and Japan’s extensive experience, Japan’s technical input would be extremely valuable. There will be many challenges, since successful additional support for infrastructure in Africa will be complicated and risky – it is important to address institutions as much as the infrastructure itself. There are also issues here around grants vs. loans, recurrent costs, maintenance, and sequencing. In sum: Japan can certainly add to the debate as well as to funds here.
4. **The importance and challenge of governance:** Another major issue in 2005 was the consensus in the ‘big analyses’ (UN Millennium Project and CFA reports) that governance issues are the key issue for development. The Commission for Africa highlighted thus: ‘The issue of good governance and capacity building is what we believe lies at the core of all of Africa’s problems.’ This has significant implications and challenges for Japan’s ODA. Whereas other donors have invested heavily in building up their own capabilities, with some exceptions (Shimomura, 2003), Japan’s aid system has limited capacities in this area; Japan’s aid model rarely addresses issues of governance and political science (Ishikawa, 2005). Japan has struggled to differentiate between government and governance, and its aid system has tended to work primary through government. Although this approach seems to have worked with ODA provided to the development states of East Asia, real questions remain regarding its applicability in other places. Given the emphasis in the CFA Report on governance issues as the key issue for Africa, Japan will need to find a way to engage in new and different ways on governance issues. There are various types of approach: greater country selectivity; more support for governance reforms; working with civil society; greater emphasis on international agreements. A key is to undertake rigorous governance assessments and to use a mix of approaches which best fit the context. This is no easy task, although it is one where Japan can add some value, in terms of promoting a better understanding of why development states emerged in East Asia (including Japan’s own history) and what Africa might learn from the experience.¹⁸
5. **Capacity and technical assistance:** Japan will feel much more comfortable and able to respond on the technical issues of capacity building than (political) governance. Issues of capacity are also at the core of both the CFA and Millennium Project reports, so there is an opportunity here for Japan (particularly JICA) to engage. Japan is seen as stronger at providing training at the field level (doctors, agricultural extensionists etc.), but has fewer experts on macroeconomics and governance issues. A challenge here is that the momentum to reform technical assistance is growing. Since the 1960s, a huge percentage of aid has been in technical assistance; nevertheless, capabilities remain very fragile in many countries. A key issue on the agenda is how to make technical assistance more demand-driven and how the recipient government can coordinate it better. DAC is planning to look at the issue of technical assistance effectiveness. As with other donors, there will be questions regarding the effectiveness of Japan’s technical assistance. With regard to this JBIC and JICA have agreed to enhance their collaboration to improve the quality of Japanese ODA.

¹⁷ This follows on from the recent JBIC, World Bank and Asian Development Bank joint study, ‘Connecting East Asia: A New Framework for Infrastructure’.

¹⁸ In fact, a lot has been written by Japanese think-tanks in recent years about governance in Asia. From such work and experiences in Asia, many practitioners consider that aid can lead to growth which will then serve as a powerful catalyst for better governance and accountability rather than vice versa.

6. **Improving aid quality and the ‘new aid agenda’:** There is increasing momentum for aid reform, which is central to the CFA Report as mentioned above, and increasing effort within the OECD/DAC. Japan has been giving more consideration to aid effectiveness issues as the aid budget has fallen. However, there is a need to take care not to overstate what is ‘mainstream’, since many aid issues are still under discussion. There remains the vital importance of the traditional aid agenda – around untying. Japan will remain under pressure to deliver here. In addition, a number of issues, which are part of the new aid agenda, may have implications for Japan. This means efforts towards coordination under recipient government-led strategies and working within recipient government systems. For donors, this means:
- Much greater understanding of, and involvement in, governance issues – discussed above.
 - Harmonisation and alignment. The aim of the new ‘partnership paradigm’ of development is for donors to step back and for recipient country governments to step into the ‘driving seat’. Countries are to develop their own poverty reduction and growth strategies (PRSPs) while donors provide appropriate support. Harmonisation (common arrangements and simple procedures) and alignment (behind partner agendas and systems) are at the core of this. Japan has engaged with the harmonisation alignment plan, but this agenda is particularly challenging politically for the country, since having visibility (the flag issue where aid creates goodwill for your country) is important (to parliamentarians in particular). The debate will revolve around the international forces and Japan’s implementing agency forces pushing the technical merits of harmonisation versus the domestic political pressures.
 - Participation in new aid modalities, particularly direct budget support (DBS). Both the CFA and UN Millennium Report call for massive increases in aid (especially to health and education). This is envisaged to involve aid provision via direct budget support, supporting recurrent costs such as salaries and provision over a number of years. Japanese insights would be very valuable to the debates, since this is an interesting but challenging innovation. If DBS becomes a norm, the implications for Japan are significant. There would be a need to convince officials that the idea helps developing countries and that there is accountability for such aid. There remains uncertainty around ways in which Japan would deal institutionally with DBS.

Although many issues of aid quality remain under discussion, the above points imply that if Japan is to enhance the effectiveness of its aid system, it may require quite substantial reform. Reform is a political process, but a technical analysis can highlight implications regarding Japan’s own ODA procedures, capacity and structures. The challenges are probably greatest regarding grant aid provision by the MOFA. If more grants are to go to Africa, MOFA would need to change ODA procedures (e.g. regarding DBS) and to expand its human resource capacity, which is seen as weak compared to other DAC members (DAC, 2004). In terms of capacity, quantity of staff, experience in development issues and the system of rotation are all areas where reform is implied. In terms of structure, the new aid agenda implies reforms towards greater capacity and decision making power for country offices.

Table 6: The new aid agenda and traditional Japanese aid to Africa

New aid agenda	Traditional Japanese aid to Africa
<ul style="list-style-type: none"> • Coordination under recipient government strategy • Alignment with recipient government budget system and medium-term perspective • Aid for recurrent expenditure • Harmonisation of procedures and procurement processes • Greater transparency and accountability to recipient populations 	<ul style="list-style-type: none"> • Project-based and standalone • Aid in kind (TA) and grant aid • No support for recurrent expenditure • Japan’s systems: single-year budgeting and aid tied to Japanese contractors • Accountability in Japan

Source: Adapted from Takahashi (2005).

7. **How to loan to Africa?:** A large part of Japan's aid system is geared towards loans and Japan's loan aid has a different accounting system from grant aid. However, as of 2003, Japan was receiving more in repayments than it was disbursing in new loans. Also, if there is a 'China dividend' for Africa, this will largely be in terms of capacity to loan rather than grants. Although Japan's involvement with debt relief is rising, there will be external pressure from this situation. More generally, a key issue regarding increasing Japan's aid to Africa will be around finding ways for Japan to provide loans to Africa. The operational scope for JBIC to provide loans to Africa is minimal – it does not give loans to HIPC countries. Some HIPC countries have reached a point where they may be able to qualify for loans. It may be possible to reallocate aid through the AfDB and to go through international institutions. Two-step loans would seem to be one possible option. There would also be value in working to improve the functioning of the AfDB. Most aid and new aid is likely to be in the form of grants and technical assistance, but there is an opportunity for innovative thinking on ways in which Japan could provide more loans to Africa.

8. **Better explaining the lessons of Japan's aid to East Asia:** A cross-cutting issue that has emerged is the value of Japan's ability to explain and share the lessons of the extent of its aid, and this aid's contribution to development experience in East Asia. Japan's aid model is built on its experiences in East Asia (Ishikawa, 2005). The impressive development gains in East Asia are well known, as is the fact that Japan provided substantial aid to the region. But to what extent – and in what ways – was there a link between Japan's provision of aid and the development outcomes? And what are the lessons for Africa? Much is heard about taking Japanese aid experience in Asia to Africa, but will it work? One argument is that Japanese aid was effective in Asia because recipient governments were development states and Japanese private sector investment was involved at the same time. The key elements might not exist in Africa. However, there is no concrete analysis; an assessment of Japanese aid to both Asia and Africa would be of great value.

Conclusion: from the UK's agenda 2005 to Japan's agenda 2008

Based on the CFA process, the UK is putting a set of issues on the table regarding development in Africa to which Japan is being asked to respond at the highest political level. There are important issues here for Japan. We have tried to identify some of the key issues for 2005 as well as the longer-term implications of the new aid agenda.

Africa is not a major priority for Japan's ODA and expanding support to Africa – and changing approaches – will be challenging, however. This is for three key reasons:

- Technical – for example, Japan has struggled to loan to the region since the introduction of the HIPC scheme;
- The African context – many Japanese stakeholders remain to be convinced that additional aid will have a development impact in countries with troubled economic and political contexts. During the visit to Tokyo, much pessimism concerning the growth prospects of Sub-Saharan region was expressed.
- Domestic politics – Africa is not seen as a priority in Japan in terms of national interest or by some politicians.

In particular, one of the most controversial areas is budget support. Although there is no intrinsic opposition to the concept in Japan and it is already being used in Indonesia, Vietnam and Tanzania, there remains a traditional view that projects are valuable. JICA seem particularly concerned about what budget support may mean for their ways of operating in Africa. The sources of resistance in Japan are a mix of the three issues outlined above. For example, Japanese audit authorities are struggling to deal with budget support; there is real concern about whether budget support really works in the difficult African contexts; and domestic pressures for Japanese faces and flags linked to Japanese ODA.

Governance issues in Africa remain a challenge but moves to increase coordination and share analysis between donors may help alleviate this issue to a certain degree for Japan. On the other hand, traditional Japanese interests in infrastructure and the private sector have received much attention in the CFA report and elsewhere. Japan's clear comparative advantage in this area provides a strong incentive for valuable Japanese input and exchange between Japan and the UK, and elsewhere on these issues.

In closing, it is worth noting that in 2008 Japan is going to be in a somewhat similar position to that which the UK is in currently. . In 2008, Japan will host TICAD IV and host the G8 Summit. Africa may or may not be an explicit priority at the G8, but the progress towards the CFA findings are bound to be surface at both meetings.

References

- Arase, D. (1995) *Buying power: the political economy of Japan's foreign aid*, Boulder, CO: Lynne Rienner Press.
- Booth, David (2004) *Budgets not projects: a new way of doing business for aid donors*, ODI Opinions 9, London: ODI.
- Commission for Africa (2005) *Our common interest: report of the Commission for Africa*, London: Commission for Africa.
- Conway, Tim (2003) 'Changing policies of the major donors: UK case study', ODI Report for JBIC, October.
- Cox, A and Chapman J. 1999. *European Community External Cooperation Programmes. Policies, Management and Distribution*. London: ODI.
- EU Commission (2004a) "Note to the European Development Fund Committee", 381st Meeting of 30 March 2004, Brussels.
- EU Commission (2004b): "Annual Report 2004 on the European Community's development policy and external assistance", Brussels, December.
- Grimm, Sven (2004) 'Aid disbursement and effectiveness', ODI Briefing Paper on European Development Cooperation to 2010, London: Overseas Development Institute.
- Grimm, Sven (2003): 'Die Afrikapolitik der Europäischen Union – Europas Rolle in einer randständigen Region' [*The Africa policy of the European Union – Europe's role in a marginal region*], Hamburg: Institute for African Affairs.
- Gabas J.J. (2005): *L'Aide Publique Française au Développement*, Notes et Documents, La Documentation Française, Mars 2005.
- Ishikawa S. (2005) *Supporting growth and poverty reduction: toward mutual learning from the British model in Africa and the Japanese model in East Asia*, GRIPS Development Forum Discussion Paper 9, Tokyo: GRIPS.
- Japan Ministry of Foreign Affairs (1997, 1999, 2004) *White paper on ODA*, Tokyo: MOFA.
- JICA (2002) *A study on Japan's ODA to Africa*, JICA Discussion Paper, Tokyo: JICA (available at <http://www.jica.go.jp/english/publication/studyreport/country/africa/>).
- Killick, Tony (2004) 'Politics, evidence and the new aid agenda', *Development Policy Review* 22(1): 5-29.
- Lockwood, M., 2005, *The State They're In: An Agenda for International Action on Poverty in Africa*, ITDG Publishing.
- Morrissey, Oliver (2002) *British aid policy since 1997: is DFID the standard bearer for donors?* CREDIT Research Paper 02/23, Nottingham: Centre for Research in Economic Development and International Trade, University of Nottingham.
- Nishigaki, A. and Y. Shimomura (1996) *Japan's aid: historical roots, contemporary issues, future agenda*, Tokyo: Overseas Economic Cooperation Fund.
- Ogata, S. (2004) 'Human security at the African Union', Dialogue in Addis Ababa, Ethiopia, 4 May.
- Ogura, K. (2003) 'A new outlook for Africa: reconsidering Japan's foreign policy' Gaiko Forum, October.
- Ohno, I. (2005) 'Presentation', at Workshop on Aid to Africa, ODI, London, 31 March.
- Ohno, K. and I. Ohno (1998) *Japanese views on economic development: diverse paths to the market*, London: Routledge.
- Ohno, I. and Y. Niiya (2004) *Good donorship and the choice of aid modalities: matching aid with country needs and ownership*, Tokyo: GRIPS.
- OECD/DAC (2003) *Harmonising donor practices for effective aid delivery*, DAC Guidelines and Reference Series, Paris: OECD/DAC.
- OECD/DAC (2004) *Japan peer review*, Paris: OECD/DAC.
- OECD (2004) *Geographical distribution of financial flows to aid recipients 1998-2002*, Paris: OECD.
- Sato M. (2004) 'Japan's aid diplomacy on Africa' in K. Kitagawa, M. Takahashi and M. Shobo eds *The study on the African economy*, Tokyo: GRIPS.
- Shimomura, Y. ed. (2003) *The role of governance in Asia*, Asian Development Experience 2, Singapore: Select Books.
- Takahashi, M. *Development Coordination: A challenge to Japan's development assistance for poor countries*, Discussion Paper No.12, Tokyo: GRIPS.
- UN Millennium Project (2005) *Investing in development: a practical plan to achieve the Millennium Development Goals. Overview*, New York: UNDP.

- Warrener, D. (2004), *Synthesis paper 4: current thinking in the UK on general budget support*, London: ODI.
- Warrener, D. and E. Perkin (2005) *Synthesis paper 6: progress on harmonisation and alignment in the UK*, London: ODI.
- Warrener, D., E. Perkin and J. Court (2005) *Synthesis paper 5: the 'double aid to halve poverty' agenda: concerns from the UK*, London: ODI.

Annex 1: Japan-UK workshop: Agenda, participants, summary and narrative report

ODI, London, 31 March 2005

Agenda

- 09.00 - 09.30* *Gathering & Coffee*
- 09.30 - 9.45 Welcome - Aiichiro Yamamoto
Introduction to the Day and by Participants
- 9.45 - 10.15 Japan's Aid to Africa: Context, Trends and Issues
Presentations by Izumi Ohno and Motoki Takahashi
Discussion
- 10.15 - 10.45 UK Aid to Africa: Context, Trends and 2005 Agenda Issues
Presentations by Tony Killick and David Sunderland / Julius Court
Discussion
- 10.45 - 11.15* *Coffee / Tea*
- 11.15 - 11.45 European Aid to Africa: Context, Trends and Issues
Presentations by Vincent Géronimi (France) & Sven Grimm (German and EU)
Discussion
- 11.45 - 13.00 Specific Development Issues in UK Agenda & Implications for Japan
(including Poverty, Governance, Health, etc)
Brainstorming / Discussion
- 13.00 - 14.00* *Lunch*
- 14.00 - 15.30 Aid Policy Issues in UK Agenda & Implications for Japan
(including Aid quantity & quality, Debt, plus particular focus on the IFF)
Brainstorming / Discussion
- 15.30 - 16.00* *Coffee / Tea*
- 16.00 - 17.15 Opportunities and Challenges for Japan's Aid to Africa
(including key issues for JICA in particular)
Brainstorming / Discussion
- 17.15 Wrap up and Close

Participants List

Name	Organization
Tim Armstrong	Crown Agents
Kobi Bentley	Africa Policy Dept, DFID
Karin Christiansen	Research Fellow, ODI
Julius Court	Research Fellow, ODI
Verena Fritz	Research Fellow, ODI
Luke Gander	Crown Agents
Vincént Geronomi	President, GEMDEV, Paris
Sven Grimm	Research Fellow, ODI
Sachiko Ishibashi	Embassy of Japan, MOFA
Toshiyuki Iwama	JICA
Tony Killick	Research Associate, ODI
Catherine Masterman	DFID Africa Team 2005 Unit
Alina Rocha Menocal	Research Officer, ODI
Izumi Ohno	Professor, GRIPS
Takeshi Sakamoto	JBIC
David Sunderland	Research Associate, ODI
Motoki Takahashi	Professor, University of Kobe
Yvonne Thomas	RAPID Programme, ODI
Aiichiro Yamamoto	Resident Representative, JICA

Aid to Africa and the UK's '2005 agenda': perspectives of European donors and implications for Japan

ODI, London, 31 March 2005

Summary Report of the Workshop Discussions

While international aid efforts have become increasingly focused on Africa, 2005 is widely seen as a pivotal year. The focus on the region is part of a wider momentum that includes the G8 meetings in Gleneagles for the G8 Summit in July (of which Africa has been identified as one of the two priorities); The WTO Ministerial Meeting in Hong Kong in November; and the Millennium Development Summit which will take place in September in New York, where the first five-year review of progress towards the Millennium Development Goals will be discussed.

The UK has a particular role here. The Commission for Africa, chaired by Tony Blair, published its findings in early 2005. The UK has made African development the primary focus of its G8 Presidency. As Chair of the European Union in the second half of 2005, the UK is keen to make development, and Africa in particular, a priority focus. The UK's agenda for 2005 is therefore likely to have a significant impact on other stakeholders (Japan, other G8 countries, the EU and countries in Africa). But, what is the UK government trying to promote and why? What do other stakeholders think?

The Japan International Cooperation Agency (JICA) is currently funding research coordinated by the ODI to provide an overview of debates in the UK, France, Germany and the European Union concerning aid policy to Africa and the implications for Japan. The project is intended to help stakeholders in Japan to better understand the UK's '2005 Agenda' on Africa and to start to outline the potential implications for Japan – and JICA in particular.

In addition to a general literature review, this project is preparing seven background papers:

- Overview of historical changes in UK approach to Africa – Tony Killick
- Debates occurring within the CFA consultation process – David Sunderland
- Current UK Policy positions regarding Africa – David Sunderland
- Current positions of France regarding the UK agenda on Africa – Vincent Géronimi
- Current positions of Germany regarding the UK agenda on Africa – Sven Grimm
- Current positions of the EU regarding the UK agenda on Africa – Sven Grimm
- The latest situation on the IFF – Andrew Rogerson

A synthesis paper was prepared ahead of the workshop.

The preliminary findings of the research were discussed in a one-day workshop with senior Japanese researchers, Japanese aid officials and other UK stakeholders on African development. The workshop discussed the following sets of questions:

- What are the big issues for the UK in relation to African development? What are the current policy positions and findings of the Commission for Africa (CFA) report that will inform the UK's dual Presidency of the G8 and EU in 2005?
- What is the view of France, Germany and the EU to these big policy issues? What are the other main issues in relation to African development that they are likely to emphasize at the G8?
- What are the implications for Japan on these issues? What are the key decisions concerning African development that Japan is likely to face? More generally, how can Japan best approach aid policy towards Africa?

In particular the workshop discussed 13 key issues relating to the CFA report and the UK's 2005 Agenda – discussing what was likely to happen and what the implications were for Japan. These were: (1) A Focus on Poverty; (2) Governance and Capacity-Building; (3) Peace and Security; (4) Health; (5)

Education; (6) Growth; (7) More Trade and Fairer Trade; (8) Increase aid; (9) Improve the quality of aid; (10) Front-load aid; (11) Cancel Debt; (12) Region-wide Initiatives; and (13) Mutual Accountability.

In terms of many of the substantive issues, there is little disagreement about what is important. Perhaps one particularly challenging area relates to how Japan responds to the new emphasis given to governance issues. This is an area where some other donors have invested heavily in building up their own capabilities. Japan is much more likely to be able to respond on sector governance and technical areas for capacity building, to fully utilise its field-based knowledge where Japan appears to have comparative advantages. The challenges are much more around the modalities.

Japanese stakeholders feel that they are facing many challenges – and some opportunities – in coping with the New Aid Agenda. In terms of opportunities there is a new emphasis on economic growth, infrastructure and the productive sector (areas where Japan is seen as stronger). The key to successful infrastructure is also dealing with institutions. There is increasing interest for Japan to better understand and share the lessons of its aid and development experience in Asia. There is also interest in knowing more about Japan's Human Security approach. The emphasis on regional institutions sits well with Japan as long as parallel systems are not set up.

In terms of challenges: How can Japan focus more on Africa given the new emphasis? How to deal institutionally with Direct Budget Support? How to improve effectiveness (institutional reform, decentralization and untying)? Of particular significance in 2005 is the proposal for an International Finance Facility aimed at doubling aid volume to achieve the Millennium Development Goals. This initiative has received a luke-warm response. There is also very little fiscal scope for Japan to increase its aid budget, but reallocation (from Asia) would help Japan increase its aid to Africa. Like some other G8 donors, Japan also prefers debt sustainability initiatives to 100% debt relief. Similar to other donors, Japan is not inspired by the proposed approach to mutual accountability.

Narrative Report of the Workshop Discussions

Aiichiro Yamamoto opened the workshop and thanked ODI for organising the event: a rare and valuable opportunity for Japanese and UK aid academics and practitioners to discuss Africa in the run-up to the G8 session in July. He had been approached by Julius Court and Debbie Warrener of ODI last year regarding this initiative: a study of UK and other EU countries approaches to Africa in the run up to the G8. Simon Maxwell and Tony Killick of ODI were also involved, as were other ODI researchers. Professors Takahashi and Ohno, both prominent aid academics of GRIPS are also involved.

Donors tend to focus primarily on aid when discussing African development, but aid is only part of development, which includes aid, trade, governance issues, peace and security etc. The Commission for Africa (CFA) report has highlighted all of these issues and it is therefore important to follow this agenda. Mr Yamamoto hoped all discussion and debate at this workshop will be taken to a set of Tokyo events before the G8 summit.

Julius Court welcomed participants. In his previous work with UN University in Tokyo, he had been struck by lack of conversation between UK and Japan on development issues. Therefore the goal is to bring these players together to have a deeper conversation about African development issues. The meeting provides an opportunity for policy makers, practitioners and academics to meet.

Presentations by Julius Court , Izumi Ohno and Motoki Takahashi.¹⁹

Questions and Discussion

Agree that there is a supply-driven bias to Japanese aid, but this is a problem for many donors. To address this Madame Ogata has developed an initiative to shift resources, especially personnel, to the field: relocated 200 out of a total of 1,200. Also moving delegated authority to the field from Tokyo. The structural problem of aid administration – is only recently addressed. Creation of DFID was a ‘breakthrough’ which divorced aid policy from foreign policy.

There is a need to unite aid. Where Japanese aid to Africa is concerned, grant aid (tied) is used.

It was surprising to find that Japanese aid to Africa has halved since 1996, although Japan’s overall aid volume also declined particularly after 2000. This points to the importance of improving the quality of aid to Africa.

Big evaluations in the late 1980s on aid modalities in World Bank and others created critiques – this didn’t happen in Japan and therefore the ideology that Japan ‘caused’ the Asian miracle has not been challenged. Need assessment on issues such as the degree of transaction costs of Japan’s aid in Asia, recipient’s absorptive capacity and ownership, rolling budget years.

Need to be careful about overstating what is ‘mainstream’ – what is often seen as the mainstream because of language used is actually a very specific vision which is not in existence anywhere. Not sure that Japanese aid is that different from Swiss and German aid etc, and many aid issues are still under discussion in the UK. Therefore it is important not to overstate the differences.

People in UK have an objective view as to what is going on, but in JICA African offices there is a different view and some feel marginalised.

Mutual accountability issue: Ministry of Foreign Affairs understands concept of accountability to tax payers but not necessarily accountability to recipient governments. This has contributed to making Japan cautious about Direct Budget Support.

Accountability issue: seems to be a fear about things ‘going wrong’, leading to a scandal, leading to loss of jobs. This has become a bit ‘hysterical’.

¹⁹ Presentation slides and images from all the workshop presentations are available to view in the full workshop report available on the RAPID website at http://www.odi.org.uk/Rapid/Projects/RAP0011/docs/workshop_summary_final.pdf

Outcome is being seen as more important but not yet full understanding, especially amongst parliamentarians. Japanese flag issue: part of value of aid is that if you can create good will for your country you will get a benefit back. This value can be achieved without undermining the benefit to the recipient.

Presentation by David Sunderland

Questions and Discussion

There is not 100% parallel between CFA and DFID priorities, but they are similar (see list of key issues). CFA and DFID links – 50% of secretariat were externally recruited. Relationship is more circular and dynamic. Issues such as aid for infrastructure development caused some concern at DFID which shows that CFA is not completely linked to DFID.

Key issues from the 11 points list:

- Focus this year on supporting through Pan African institutions;
- New mechanisms for future accountability monitoring of donors;
- Harmonisation;
- Scaling-up.

Concept of ‘policy autonomy’ – idea become prominent in trying to explain success of Asian miracle countries. It appears that UK ODA has more policy autonomy than the Japanese equivalent.

Idea of policy autonomy is useful. Early history of PRSP work showed that the relationship between Gordon Brown and Claire Short in the UK was key to increasing policy autonomy – quite a unique relationship.

Fear generated in DFID when Claire Short left and a Foreign Office official (Valerie Amos) appointed as the new head. This has now calmed.

Shift from productive to social sectors within UK ODA – why is this? In earlier periods, much aid went to agriculture and got poor results and this acted as a negative push factor.

Rise of poverty agenda: linking of poverty reduction with spending on health and education, therefore downplay in 1990s of economic growth agenda (which is now being better addressed).

Attitudes towards aid – UK appears to be more flexible to change. Was there a change in people’s attitude to aid? Steady support for idea of aid programme to reduce poverty and increase wellbeing. You don’t get good public awareness of the how aid should be deployed but the big campaigns such as Band Aid have brought development issues into public focus.

Populist solutions rather than technical. Aid is not a major electoral factor, therefore any Minister can disregard public opinion on this.

Japan is considerably isolated in the donor community and lacks interaction with other donors. Critiques from DAC have not filtered back to Japan, whereas the European donors are acutely aware of the international discussion.

DFID has produced a large amount of policy over the last year, but ability to implement this may be lacking. Dynamic and innovative but ability to implement is low. Japanese situation may be the opposite?

At cultural/psychological level, Japan is a country which helps many others around the world, but there is a different cultural sense about ‘charity’: Japanese pleased to give when it has a good result even if they get nothing back themselves, rather than just giving to make themselves feel better.

Self-help ideology. Japan built its own economy, therefore not willing to give 'hand-outs' to others. Ministry of Finance emphasises this culture. But it is dangerous to label UK people as charitable and Japanese people as less so.

None of the recommendations on the final presentation slide can be addressed by a single ministry, therefore the issue is how to coordinate.

Presentation by Sven Grimm: German ODA

(See background paper for details)

- German ODA was linked to World War Two.
- Africa policy – Africa has been the arena rather than addressee.
- Aid given to keep East Germany out of international arena.
- Autonomy issue: Germany has had an independent ODA Ministry since 1960s and its strength has increased, although this has not translated into policy autonomy.
- Party politics in Germany: internal coalition dynamic has prevented Ministry from gaining autonomy and from focusing on aid agenda (more of a 'parallel Foreign Ministry').
- High fragmentation of implementation agencies: GTZ separate from Ministry for example.
- High degree of expertise in technical cooperation but that doesn't translate into political dynamic.
- Three pillars of technical delivery and fourth pillar looks at triggering changes in partner countries (ideological focus).
- Development Ministry not strong in German policy arena but is still leading Ministry on African development, which shows the lack of profile of African development in German politics.
- Focus on poverty: German government emphasises this but understanding is different to UK. Not focus on poorest countries but on poorest people, including those in Brazil, India, Eastern Europe etc (includes emerging markets).
- Governance and capacity building: technical cooperation has been emphasised.
- Peace and security: has come on agenda only after reunification. Some military experience in Africa now. Broader interaction than just development assistance.
- Health and education: not high profile in German cooperation and doesn't materialise in heavy funding.
- Growth: depends on who you talk to in Germany. The Development Ministry would not criticise growth approach but is more hesitant than the UK. Addressing weak points in globalisation.
- Trade and Fair Trade: Development Ministry has different position to Economic Ministry, although actually the decision is taken in Brussels anyway.
- Increasing Aid: Development Ministry pushing but the economic situation has not been favourable.
- Debt: hardly any position despite strong NGO involvement.
- IFF: interesting concept to German government, but you have European Stability Pact which may hinder this.

Presentation by Vincent Geronimi
(See background paper for details)

Presentation by Sven Grimm on EU
(See background paper for details)

- EU is highly fragmented and there are very different visions of what EU policy is.
- Development policy is only mandate of EC since 1993, although Africa was an exception to this as some member states had African colonies. There is a development fund outside the main body, therefore no-one touched the issue of development policy until 1990s: aid had been technical issue only until then.
- Now foreign policy is high on agenda. Trying to get discussion on coherence within the Union.
- Overall amount of aid to Africa has increased over the decades, rather stable over last 10 years, but it has decreased in percentage terms.
- Focus on poverty: EU will emphasise that they have a policy focusing on poverty, but they implicitly include Middle Income Countries (MICs) in this.
- Governance and Capacity building: spending on governance in late 1980s at 0.8%, 15% in 2001 but this is not just Africa. High priority within Cotonou agreement.
- Peace and Security: high on agenda and a dynamic situation.
- Health and Education: not high on agenda. More engaged with instruments such as budget support which may be health/education related.
- Growth: on policy level, EY is more proactive than Germany.
- Trade: increasing erosion of preferences due to liberalisation, so preferences to Africa are worth less now than they were.
- Increasing Aid: European budget constraints – budgetisation of EDF and getting this into procedure would have implications for partner countries (may not happen).
- Quality of aid: Focus had been on internal issues, but now more focus on outcome related issues. 25% African aid as budget support in 9th EDF. Commissioner has emphasised that he wants to increase this.

The French Perspective

Questions and discussion

This is an interesting example of EU accession as a model of success for development project: What can we learn from this? What was the incentive structure? EU enlargement process as a positive example: Surprising that this has only recently been ‘discovered’ by the development community as structural funds have been around for a long time.

How will EU behave in future on issues coming from outside? Interest in Africa has been diluted by 10 member states that have no real Africa connection. Also complicated in that we have 25 member states plus EC, and the flag waving issue often comes up. Many states are implementing bilateral programmes.

Untying issues in France – what are these? Aid effectiveness debate in France – is there a definite meaning of this debate in France? Aid effectiveness includes question of untying aid. During 1990s much progress as the statistics show. France takes a normative approach focusing on what is the main goal to be attained? Shift to MDGs sees poverty focus.

Regarding France and the decreasing role of Cellule Africaine, why? Due to political internal reasons, but also due to weakening political power of presidency (Prime Minister of different political party to the President).

KfW and AFB will provide loans: do you also provide grants and if so are there different procedures? JBIC is trying to get closer relationship with KfW and AFB, but is there interest from Germany and France? KfW does give loans and grants (under same procedures). Tricky issue is budget support where

GTZ and KFW are involved. KFW doesn't have many country offices. GTZ is more involved in technical issues with regard to SWAPs etc. There is a competition at times. GTZ will usually contribute something to have the right to participate, but amount is relatively low.

In terms of France's aid structure, AFD – loans only as a bank. MAE – grants only (Ministry of Foreign Affairs). MINEFI – involved in cancellation of debt (form of grant). CDD (CD2) arrangement – cancellation of debt, special institutional arrangement between Ministry of Finance and MAE. France has changed the geographical distribution of its aid in Latin American and Asia. Note that France talks of the fight against poverty and inequality. But, France is moving towards loans for countries that can repay.

Ministry of Finance in Japan was an 'enemy' to Jubilee 2000, but these kinds of issues are not discussed in parliament. Are these things discussed in Germany? African policy is low-key, therefore if it is discussed in parliament few people will be there to discuss it. BMZ will discuss such issues. German Finance Ministry would be against it. Relatively incoherent position in government as different positions are taken by different ministries.

No parliamentary debates in France except perhaps once every two years parliamentary commission states amounts and tools for cooperation. Debt relief is not a 'hot' issue on French agenda.

German government will be hosting summit next year – will they follow up on the African agenda in that summit? Open question as there is no position yet. Africa not high on German agenda, although the Security Council discussion is important: may need to increase aid to African countries to get a seat on the council. There is pressure to increase aid but there are also large constraints.

EU aid policy: is it an aggregate of member state policy or making up its own policy which it then tries to integrate into member state policy? Long debate on this. More than just the sum of member state policies. Consensus rather than 'out-voting' a particular member state. Commission is driving its own agenda, but not necessarily influencing member states. Commission cannot impose anything on bilateral programmes. Denmark, for example, has a bilateral programme and also contributes to multilateral. EU target to reach 0.5% GDP aid, but small increments, including 0.33% by 2006/

Do the Germans, the EU and Japan share a political sense of what is at stake, particularly this year? On the African agenda, limited public reporting in Germany, but on the government side there has been some hostility to the 'Blair Commission' as it is seen: questions have been raised as to what happened to the G8 Action Plan (has the CFA replaced this? Concern that CFA would take the focus away from NEPAD. Has the UK acted unilaterally?). NGOs are pushing the agenda in relation to 2005, but the CFA is not a rallying point for Germany which has not yet formulated its own position. CFA credibility is quite low in public mass media in France. French institutions see the CFA proposal as not technical enough and an 'amateurish' position. Although, recent newspaper article in France praised the UK government on taking a lead on a large initiative. Need a position on precise technical points.

Big difference between UK and others is focus on 'poorest countries' rather than 'poor areas' (including those in MICs). Important to keep focus on MICs which are diverse populations that do need aid, therefore why has UK focused on poor countries as a whole and not just 'poor areas'?

Working through PRSP countries that have identified themselves as poor and identified their own poverty problems. DFID doesn't take a unilateral approach to countries. Rhetoric versus reality issue. Is aid always the solution to address poverty issues in MICs? British position is actually looking at where aid can best be applied. Separate out problem from what aid can actually do.

Japan has long been criticised by DAC about supporting rich Asian countries. With German budget support, have legal issues and fundability been key constraints to support? For IFF this is seen as the major constraint to adoption.

UK is not constrained by a written constitution, but no government can commit a future government which raises questions about UK's role in the IFF which would involve committing a future government.

Is the nature of German aid linked to former colonies at all? In general no, but Namibia is an exception. It became independent on re-unification but was also a site of genocide. German aid to Namibia is substantial for Namibia, but this is not relatively large in percentage terms to Germany.

11 Key Issues and Implications for Japan

The background paper and matrix identifies 11 key issues regarding the UK agenda for 2004, what other donors think and what the implications are for Japan. The key questions for this session are:

1. What is likely to happen around the 11 key issues?
2. What does this mean for Japan:
 - a. What does Japan need to think about pre-G8?
 - b. What does Japan need to think about in the longer term?

1. Focus on Poverty

UK push in terms of the poorest countries. The push is the double aid to halve poverty agenda. Also comprehensive approach: not just aid but a range of policies. France, Germany, the EU and Japan don't have same degree of push and have more focus on MICs.

Japan has no problem with the MDGs etc. Many in Japanese government don't believe we can achieve the targets in Africa by 2015 and therefore there is some detachment.

Signing up to doubling contribution in aid may be controversial but the conception may be acceptable.

Poverty reduction accepted, but the mechanisms are under debate. Japan also emphasises poverty reduction through growth. Can budget be directed to the beneficiary? Japanese mechanisms could be diversified.

On selectivity side, there is a huge issue: select countries, select areas or some other criteria?

If poverty is the criteria for programming, what should the outputs be? In practice a focus on poverty can mean very different things. A possible lesson for Japan: don't go into health and education as infrastructure is what you know best. What can be adapted from the Asian growth model?

DFID will focus on Africa, although a lot of implications of this. Also scaling-up issue on aid allocation important to DFID, increasing aid to fragile states (see increased DFID support to DRC, Ethiopia etc). Key question of how to support vulnerable/fragile states.

Selectivity could be discussed in terms of which countries to choose. In Asia, the choice may be limited. China – may be supporting other countries therefore question as to why they should be supported now.

All donors know investing in productive sectors is difficult as it requires aid plus private sector investment plus markets. Japanese aid effective in Asia as private sector investment was involved at the same time. Trinity worked in Asia (aid, private sector, market) but not necessarily in Africa.

But, Japan has not conducted a thorough analysis of African countries with the possible exception of Tanzania. Vietnam and Laos etc in Asia have had long-term assistance of policy+aid+market which would not be the same in Africa. Need to work with selected countries in Africa, making a serious amount of money available.

Serious decision as to selectivity across the board or each individual donor being selective. Maybe Japan should choose only countries in Africa that have been 'missed out' or some other criteria? Using poverty as a criteria is not necessarily its comparative advantage whereas it has experience in selected Asian countries: should it move focus to Africa?

Tony Blair will still want Africa focus and will push for this. Every donor can pick their own comparative advantage. Japan might want to focus on its own comparative advantage.

Africa is already receiving a large percentage of aid so should Japan focus on Africa as well? Japan still needs to get a seat on Security Council: Africa has many countries with many potential votes. Comparative advantage in Asian region, but Nepal for instance is not well known to Japan whereas some countries in Africa are well known. Therefore Japan should not count itself out of Africa.

Is it formally accepted that Japan uses aid to get diplomatic leverage? No country formally accepts this with possible exception of U.S. The Japan Constitution talks about commitment to peace, stability and prosperity of the world. Implicit reality: have to be concerned about the internal needs of recipient countries and not just national needs.

2. Governance and Capacity Building

CFA has said that governance is behind all African development problems in some way. Some things are also orientated towards donors in the CFA report.

Key issues for DFID

Progress on EITI.

Ratification of UN Convention on Corruption

Support for African institutions on peace and security including African Union (AU)

EU perception is a bit narrower, but will not make much resistance. Germans would agree but have some issues with how to get technical assistance into governance.

Issue for all donors is premise that aid agencies can do anything on this issue: they can help on margins and provide technical assistance, but change needs to come from within.

Since 1960s huge percentage of aid has been in technical assistance but there are still very fragile capabilities. There is an opportunity regarding the specific issue of technical assistance: Japan could support institutional development.

We have to acknowledge the ability of external actors to influence governments, but negative consequences of many donors getting involved could reduce impact: therefore can Japan go in with its current modalities without the risk of negative impacts? Could we pool funding with the government in control? All funds would then go to one place. But the ability for Japan to supply into working procedures is limited.

Governance and capacity building is very broad topic. Advice to Japanese government and JICA should be different. Good governance and effective government are different issues. JICA has capacity building experience. Differentiate different levels and concepts.

Capacity building is a vague terminology. Japan is strong at providing training at the field level (doctors, agricultural extensionists etc) therefore likely to be pushing towards the local level. JICA has few experts on legal issues / macroeconomics.

Japanese approach to capacity building is to respect the existing government administration structure. DFID also does not want to divert attention away from the government. U.S. tries to bypass government. Capacity building and bypassing government issue – don't want new vertical / sectoral initiatives (i.e. a certain number of new health workers for Africa).

Is there a similar system in Japan engaged with political governance or has Japan stayed out of issue? There has been hesitation, for instance, to force the government in Myanmar to change the situation. Japan has tried to have a dialogue with the government instead.

Issue between bilateral donors: to what extent is there expertise in governance in Japan? DFID has made large intellectual investment to understand governance. JICA now has a governance team. Japan struggles to differentiate between government and governance.

3. Peace and Security

The push from CFA and DFID will be for Africa stand-by forces; support for regional constitutions; UN Peace Building Commission.

There will be increased funding from EU. UK does have quite a leverage in EU but nothing specific to G8.

Peace building is important to the Japanese. JICA is trying to engage. Constitution prohibits sending military power abroad to resolve conflict except under UN. Non-militaristic way to prevent / rebuild after conflict: advice on this would be useful.

4. Health and 5. Education Sectors

One of the key areas regarding building arguments for doubling aid. Resources are a big issue here. Recurrent costs will have to be addressed as a key issue. Brain drain also a big issue in CFA report.

ODA machinery – growing JICA expertise in education and growing quest for increase to education pool. There is already support, but how to deliver has not been addressed. Discussion about how to decrease unit costs.

There is an opportunity that Japan can add its own experience of rebuilding: link between recurrent costs and growth. How to stage the process in the right way?

6. Growth

Japan can add to debate through its history of infrastructure work, including in Africa. Huge amount of naivety at present in international debate and Japan could take the lead here.

There was a discussion in JBIC with World Bank (and possibly AFDB) on launching an infrastructure study for Africa. Could throw up an interesting approach. Can the learning be shared? Currently there is no clear answer.

A proposal is currently on the table – to effectively manage resources there should be a consortium arrangement including World Bank, EU etc.

Issue of grants versus loans and also recurrent costs are questions for JICA.

Percentage of capital to labour for infrastructure. South Africa has had a high quality but labour intensive model of road building for example. Japan is going to have to untie to contribute to Africa significantly.

UK lost the ATP (Aid and Trade?) provision in 1988. Fact that Japan still has this may be useful – may be able to link private sector to ODA.

Africa needs to be able to repair the infrastructure work already done through aid. Need to put institutional component in place to do infrastructure work.

Agriculture in Africa: will DFID push on this issue? Coming more through NEPAD in their Agriculture Plan. No-one knows what to push for in agriculture.

Path of East Asian high growth: green revolution and industrial development. In terms of agriculture this looked at both food security and productivity. Japan has tried to 'forget' the productive sector but not agriculture. Adrian Wood recommended that Japan should not choose a specific sector (agriculture, mining etc) but should just pick across the board. Japanese point is different to the UK here.

Japan needs to address following: if growth means export orientated growth, where are the markets (which becomes a political issue)? Need to have a market before you can rely on export orientated growth.

7. Trade

Crucial issue but are there specific issues the UK will put forward? Not likely as the EU will put these issues forward. Conflicting interests of EU member states may floor these issues.

Challenge is about Doha development round. All G8 members will want to discuss in July. UK will try to make progress, although Japan may decide it is not politically feasible.

Peter Mandelson – suggests it is not just market access but capacity in export promotion. The business climate also ties in here. Supply issues also important and who will have comparative advantage.

8. Increase Aid

Other EU countries have much less scope than UK. Less fiscal space in Germany therefore unlikely to get leap in development assistance.

Increased aid to Africa: what is the percentage of overall Japanese aid to Africa? If Japan reallocated some of the money that goes to China it could have a huge impact on Africa. 'China dividend': Japan loans to China therefore JBIC will face a challenge.

Loan aid has a different accounting system from grant aid etc. It could be possible to reallocate through AFDB and may be possible to go through international institutions. Although Japanese government doesn't give loans to HIPC countries, some have reached saturation and question is whether they should now qualify?

Has DFID also increased the number of staff to deal with the increased aid budget? Staff numbers at DFID have decreased. There is now pressure for DFID staff to spend. DFID have got around reduction in staff numbers through use of consultants. Tendency at DFID is to look for opportunities to spend bigger amounts of money in one go. Hilary Benn's push on Humanitarian situation: Japan could get involved here. If Japan wants to contribute more to Africa there are openings, but still a question over loans versus grants.

Other option (follow up to Sachs et al) to go through country by country and come up with a list of African countries where Japan can increase aid without the negative impacts.

Loan versus grant issue is a touchy one as power relations are involved. Need to think of different institutional arrangement if you want to increase grants.

It is right time to discuss both absorptive and spending capacities of donors. Proposal received last month regarding Southern Sudan: donors to have a shared office / chain of command. It would be expensive / risky to have a Japanese office whereas a shared office would be more cost effective.

Proposal of debt reduction in relation to HIPC: some countries could have a softer path to utilise a loan. Japan would be in agreement with a lower threshold.

JBIC AFDB initiative sounds good. If Japanese could get AFDB to function properly that would be really useful. Therefore a risky approach at present but it could be useful: any means by which the AFDB can be made to function better would be welcome. Don't just stop with the AFDB, go on to World Bank, etc.

9. Aid Quality

Untying comes back to what was agreed at Paris. More movement could happen on this in September than July. Did Paris produce a timetable? Yes, harmonisation alignment plan.

The two Prime Ministers (Japan and UK) have to discuss and understand that harmonisation of aid will mean the need to restructure aid itself. Also underpins all other issues. If Japan is unable to increase aid contribution through trust funds etc then this may have a limited effect.

Given little fiscal scope for Japan to increase its aid budget, improving aid quality and effectiveness should receive more serious attention. It is hoped that the New Aid Agenda would raise awareness of the Japanese stakeholders on this matter.

10. IFF

Chirac went to Japan and was supposed to discuss this issue. Japan is doubtful about why the IFF is needed. Japan and U.S. are not on board. UK will be pushing so Japan will need a position.

IFF is not a new mechanism but a new source of funds. Pilot IFF through GAVI and the main fund will go through existing organizations.

EU standards (Eurostats) – what are implications? Any expenditure made would show up on budgets and would therefore show up as government spend. Germany would have a problem with this.

11. Debt Relief

CFA pushing for 100% debt forgiveness. France and Japan more sceptical. Technical issues but also political given that UK will push when other G8 countries might not support. Also push expected on heavily indebted non-HIPC countries.

Japanese position is similar to that of France. Japanese approach for case by case basis: is it possible to have a list by July? There is already a set of criteria from World Bank.

12. Region-wide initiatives

Region-wide centres of excellent issue is one area Japan could contribute.

UK is supporting NEPAD in principle. Investment climate facility etc. Agree in principle with idea of strengthening Africa regional capacity.

Sensitivities in providing funding for regional institutions. Support for implementation of Africa Peer Review. Not clear what mechanisms will be used. Need to support priorities of African leadership. Regional institutions of excellence not expected to be a big push by UK.

EU would second this agenda. Regional integration is one of priorities. Areas of tension: identify the right partners; who do you work with?

AU, especially on security side: EU does have a problem with their programming. Not really a problem with the UK agenda.

Peace-keeping: Japan is supporting AU with funds in Darfur for example.

Good idea to have pan-Africa system but we should not build new / parallel structures, but rather ‘beef-up’ existing structures such as ICAD and ACBF.

Question of funding for AU itself outside of peacekeeping role. Would Japan be able to contribute to this? Yes if they had a good programme.

13. Mutual Accountability

UK Prime Minister will put forward the view that international community needs to put in place mechanisms for ensuring delivery. Mechanisms through OECD dialogue, but none of these mechanisms have sufficient political ‘oomph’ to get results. Need better means to make donors live up

to their promises. Prime Minister will contend 1 representative from G8 and 1 representative from Africa would be advocates who go the Heads of State and demand that they live up to their promises. Also strengthen African partners forum; more political clout required for mutual accountability. One or other mechanisms will be discussed in July. This is a new idea and will include aid, trade etc. Idea is that donors can sign up to a range of issues in July.

Mutual accountability included in the debate since 1975. Trying to get Lome and Cotonou agreement ideas one step further, therefore there may be issues to learn from these 25+ years of experience.

German response: principle would be welcome but detail difficulties around financial procedures.

France should be favourable but would need to check this.

Is this operating on a 'go-public' basis or is it purely a bilateral 'behind closed doors' approach? Not sure but may be public approach: 'embarrassment mechanism'.

Important symbolic implications for Japan. If they support this, it indicates they are supportive of reform, but this may open the door to more criticism of your current ODA approach.

How would Japan see this approach? I would support but the government may not: already have the DAC, WTO etc therefore question as to need for another system. Also Japan has to face recipients in Asia so it needs to include these.

Would this initiative be Africa specific? Not sure.

Germany may also make critique that we already have DAC etc. May be useful to propose that it would be useful to include an African representative in the DAC. OECD still lacks clout: currently senior official level rather than top level.

Hot Topics for Japan's ODA

What are the 'hot button' issues?

- Focus on 'human security' as Mrs Ogata has prioritised this.
- Also Asia – Africa debate (both cash and lessons).

(i) Human security (HS)

How and where does HS issue fit on the ODI matrix (11 issues). Mrs Ogata strongly pushes this and it is included in the ODA charter. Is it an accepted concept or is it new?

2 sides to HS:

- freedom from fear
- freedom from want (JICA focus here)

More effort on Africa in terms of HS will be pushed for by JICA.

Both Germany and EU see HS as important, especially Germany which has agreement from different departments. If it starts to cost money then it may be less favourable. On EU side, conflict prevention has been high on agenda, partly as EU doesn't have military capability. Part of European security strategy. Therefore both Germany and EU good 'targets' for HS.

Have not seen references to this point in official or grey literature in relation to France, but it is likely that they would also support. On poverty side, social protection is becoming more of an issue.

Recent 'Security and Development' paper from DFID, but concept of HS as such won't necessarily spark much excitement. But strongly resonant with poverty reduction. Theoretically similar. State avoidance: providing support when the state is unable to provide this may be problematic. UN developed HS as a

concept to counteract the World Bank concepts of poverty reduction. Japanese approach of Madame Ogata: substitution for state rather than enabling state to deal with conflict.

(ii) Asia and Africa

Two sets of issues:

- Will there be a dividend from Asia to Africa?
- Japan has a successful experience in Asia – How did aid contribute to the development process in Asia? Should it take this to Africa or no?

Always talk about taking Japanese experience in Asia to Africa, but we are not always sure why it did work: there is a vision of government, private sector involvement etc but no concrete analysis. All these elements might not exist in Africa. May need long-term research agenda. Need to evaluate Japanese aid to both Asia and Africa. See Ishikawa's paper:

- how do we see ownership / policy dialogue (but Japan had been cautious about using conditionality until recently)
- what is the role of government in promoting private sector etc?

Discussions I had in Japan were at hypothesis level. In the countries where it worked there was a framework / vision into which it fitted. Thai experience – how did they decide how to accept / reject aid? Compare to Cambodia.

Relationship with Africa has been different: less discussion on a year-by-year basis and long-term interaction.

Big hypothesis when I visited Japan was that club membership approach may have been useful: if you can make a set of reforms thereby enabling membership to the club, you will see real benefits.

Mutual accountability: G8 could pressure Japan to divert aid across the whole region. But difficult to reallocate budget in short term but might be something to consider for long term.

What will happen next?

- Meeting report and wider report for project.
- Event in Tokyo in May/June.
- We want this to be part of a process that continues.

Thanks to those who wrote background papers, the participants at the workshop today and ODI colleagues who have shared their knowledge.

Annex 2: Understanding British aid to Africa: an historical perspective

Tony Killick²⁰

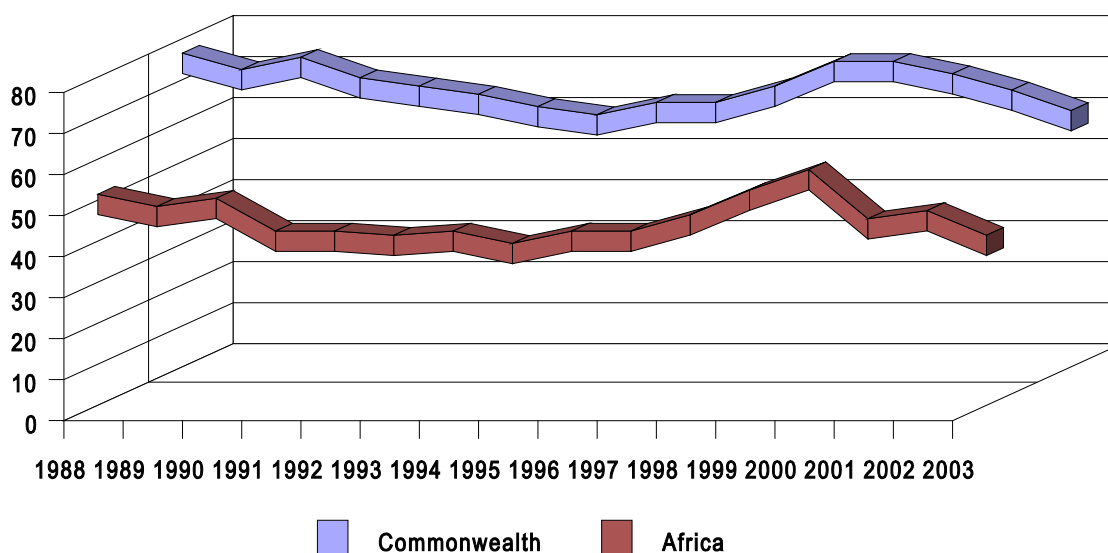
The purpose of this note is to utilise historical information to throw light on the forces shaping British aid policies towards Africa, in the hope that JICA will be able to compare these forces with the influences and constraints determining their own policies. Section 1 summarises some of the key long-term developments in British aid policies towards Africa²¹; Section 2 attempts to summarise the influences shaping these policies; Section 3 comments briefly, in the light of the foregoing, on the present juncture of UK policies towards aiding Africa.

Elements of policy

Aid volumes and concessionality. The volume of direct British aid to Africa is constrained by the substantial level of its contributions to multilateral programmes (including those of the EU). The multilateral agencies, of course, also provide large volumes of aid to sub-Saharan Africa, of which the UK finances its share, but the following discussion is restricted to the bilateral element in British aid to Africa. The share of the multilateral element in the UK total rose strongly in the later-1970s and early-1980s but in recent years has stabilised at around 45% of the total.

Aid to Africa is, of course, also influenced by what is happening to the UK's total aid programme. Relative to GNP, the total started at the relatively high figure of about 0.5% in the mid-1960s, then went into fairly steep decline through to the mid-1970s, rose again in the second half of that decade, declined gradually but significantly during the 1980s and much of the 1990s, and then rose rather sharply from the later-1990s.

Figure 1. Shares of Commonwealth and Africa in total bilateral aid (%)



How did Africa fare in this context? In real terms, it did quite well, with only relatively modest declines during the retrenchments of the 1980s and 1990s. Figure 1 shows Africa's share declining gradually in the first half of the 1990s and then rising to the turn of the century, although note that this excludes humanitarian assistance. More recently, its share has declined but this was in the context of a rapidly-

²⁰ Senior Research Associate of the Overseas Development Institute. I am very grateful to Adrian Hewitt and others at ODI for valuable comments on an earlier draft. I am also indebted to Sandra McAllister and Gillian Dobbin of the Statistics Department of the Department for International Development for providing me with unpublished time-series data.

²¹ I will throughout use 'Africa' to mean sub-Saharan Africa.

growing total budget so that the real absolute (current price) value of UK aid to Africa doubled in 1995/96 to 2003/4. Asia's share has risen in the most recent years (partly because of the emergence of Iraq as a major recipient – classified as Asian), although that seems likely to be reversed again in the next few years. The position today remains, as it has always been, that in relative terms Africa is strongly favoured over Asia, as illustrated by the following statistics for UK bilateral aid per capita in 2002 (in £s):

Africa	1.03
South Asia	0.28

Moreover, British assistance to Africa has always been highly concessional. For most of the last 20 years virtually all assistance to African (and other least-developed) countries has been in the form of grants, as against loans, but even as early as the mid-1970s UK aid to lldcs was recorded as having a 99% grant element. The UK has also implemented an active programme of bilateral debt forgiveness, in effect converting past loans into grants, as well as supporting the international HIPC scheme of debt relief, from which African countries have been among the largest beneficiaries.

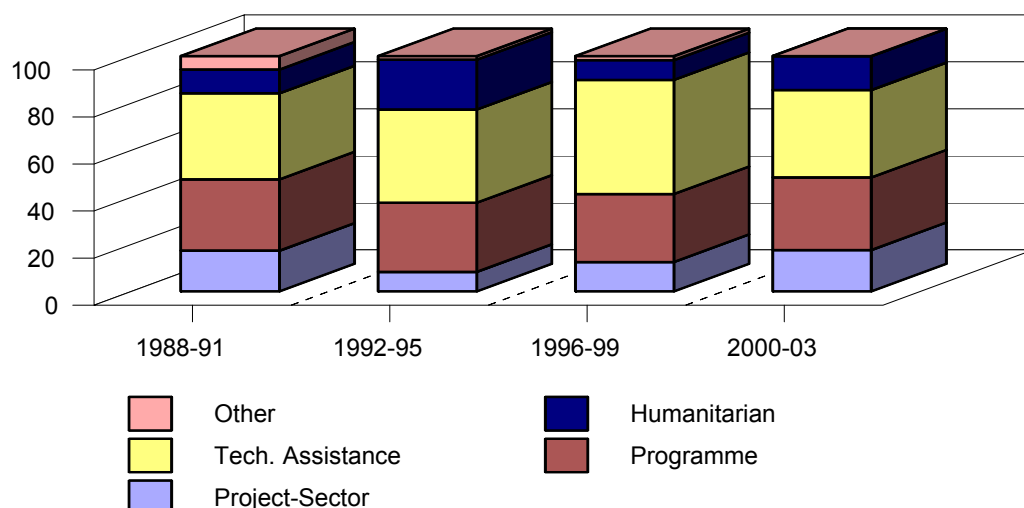
Modalities and end-use composition. The dominant form of financial assistance in the earlier years of British aid was to finance discrete development projects, commonly linked to the provision of technical assistance. For reasons discussed in Section 2, the dominance of the project mode in Africa began to diminish during the 1980s, with the emergence of various forms of programme assistance, generally in support of the 'structural adjustment' programmes of the IMF and World Bank (the IFIs). The structural adjustment agenda gathered force in the 1980s and continued strongly into the 'nineties. However, during the latter part of the 'nineties there was a growing realisation among donors, including the UK, that in Africa conditionality-based structural adjustment was bringing few of the intended benefits. This realisation fed into a major re-think of aid priorities and modalities presented by the OECD-DAC in 1996. Among other things, this greatly enhanced the priority accorded to the objective of reducing poverty and related variables – a thrust which eventually evolved into today's Millennium Development Goals (MDGs). OECD-DAC also placed issues of aid effectiveness more firmly on the agenda and this latter thrust helped to sustain the trend towards programme assistance, even though structural adjustment was running out of steam. Since the late-1990s, DfID has been among the more aggressive advocates of programme modalities (largely direct budget support but also sectorally-based by means of SWAPs), as against projects.

How does the actual composition of British aid to Africa marry up with this description of global trends? We only have comparable time series beginning in 1988/89 and these show a more complex reality than DfID's preferred pattern – see Figure 2.²² First, a rather sharp upward trend is revealed in the share of project aid in total bilateral aid to Africa since the beginning of the 1990s, although the interpretation of this trend is made more difficult by the Department's lumping together into this category of project and sector assistance, even though some of the latter would be better regarded as programme assistance, via SWAPs and similar schemes. In any case, even at its peak, in this period project-sector aid throughout makes up less than a fifth of the total.

Another noteworthy feature has been the persisting large scale of technical co-operation, again somewhat contrary to DfID intentions, although there has been a downward trend since the late-1990s. Technical assistance has throughout been by far the largest category of spending: even in 2003/04 over £250 million was spent on this form of aid (but note the caveat about the data in footnote 3). Many people do not realise the large scale and cost of technical assistance to Africa. Perhaps the biggest surprise is the rather constant share, at around 30%, of programme aid – despite DfID's vigorous espousal of this aid form in recent years. It appears that it was having difficulty in implementing its preferred shift from projects to budget support, with the ratio of programme to project aid in 2000/01-2003/04 being precisely the same, at 1.75, as in 1988/89-1991/92.

²² Figures relate to current-price data on UK bilateral assistance to sub-Saharan Africa. The 'programme aid' category includes bilateral debt relief and (on advice from the statistics section of DfID) the 'technical assistance' category includes 'grants and other aid in kind.' Much of this consists of technical assistance projects although it also includes grants to NGOs in Africa. The 'other' category consists of expenditures under the Aid and Trade Provision which had effectively ceased by the end of the 1990s. The period shown are to be read that the years in question refer to the financial year commencing in that calendar year. For example, '1988-91' refers to 1988/89 to 1991/92.

Figure 2. UK bilateral aid to Africa by type



If the above trends suggest inertia in the composition of aid, DfID can certainly argue that its present-day support to Africa is strongly consistent with its chosen concentration on reducing poverty and promoting the MDGs. Even though covering only the most recent 15 years, Table 1 shows just how far the pendulum has swung away from assisting directly productive sectors in favour of education, health and other social sectors. Note also the consistently very small share of environmental applications. Humanitarian assistance is excluded from the table. This is apt to fluctuate widely from year to year, but the data suggest an upward trend during the last decade or so.

Table 1: UK aid to Africa by sector of application (percentages of total)²³

Period ²⁴	Economic	Social Services ²⁵	Environment	Governance	Rural Livelihoods
1988/89-1989/90	66.4	17.2	2.6	3.5	10.4
1993/94-1994/95	56.8	23.0	3.3	8.4	8.5
1998/99-1999/00	23.7	36.0	3.4	28.7	8.2
2003/04	24.9	53.5	1.5	14.4	5.8

An even more dramatic demonstration of change is given by the following figures showing aid to Africa for what can broadly be described as investment in ‘directly productive’ activities (economic + rural livelihoods) as a percentage of ‘social’ spending (education + health + social + governance):

1988/89-1989/90	371
1993/94-1994/95	208
1998/99-1999/00	49
2003/04	45

Assistance targeted specifically at the reduction of poverty has increased sharply – by about four-fifths in current prices during 1998/99 to 2003/04.

The evolution of policy priorities. One obvious way in which the administration of British aid differs from that of Japan is that, from the creation in 1964 of a Ministry of Overseas Development, execution of the great preponderance of the country’s total assistance has been concentrated in a single

²³ These figures exclude humanitarian assistance and aid which could not be allocated by sector.

²⁴ The statistics are means of 2-year periods except for 2003/04.

²⁵ A combination of education, health and ‘social’ categories

department of government.²⁶ However, this does not mean that the disinterested promotion of social and economic development has always dominated the policy priorities of successive administrations. Aid has also, of course, been used to promote Britain's national interest. One obvious issue here is the standing of developmental considerations *vis a vis* foreign policy, security, immigration and commercial objectives. An important clue is provided by the fluctuating status of the government department responsible for aid, which is summarised in Table 2 overleaf.

The points of substance beneath this apparent game of ping-pong were the signals the changes sent about the relative importance attached by successive governments to developmental and foreign policy objectives. Developmental considerations were more likely to be subordinated when the department formally came under the responsibilities of the Foreign Secretary, although the contrasts between the two situations were not in practice as dramatic as might have been expected. Even when part of the FCO, the department had considerable latitude in pursuing developmental goals, just as, when independent, it has been far from immune to the influence of foreign policy considerations. Party politics has been a strong influence in these matters, as is described in Section 2.

Just as the influence of foreign-policy-cum-security considerations has waxed and waned, so too has the influence of commercial motives. Whilst these had always been present, the intrusion of commercial motives was given greater formal legitimacy with the introduction in 1977 of the Aid and Trade Provision (ATP), which linked the use of aid funds with the provision of non-concessional export credits. This became an obvious target for critics, for what they saw as a mis-use of funds intended to promote development, but it should be kept in perspective, for its use was limited to a maximum of 5% of the total aid budget. Moreover, as it developed, it came to be applied largely to subsidise exports to emerging Asian countries and hence had little impact on aid to Africa. This explains the extremely high levels of concessionality in support to Africa reported earlier. The ATP scheme was formally discontinued in 2000.

Of considerably greater importance was the common practice of procurement tying. This meant that imports financed by British aid were restricted to goods and services originating in the UK, a form of protectionism which often much reduced the real value of the 'assistance' provided and which effectively reduced its concessionality. In the 1980s nearly half of total UK bilateral aid (to all countries) was tied in this way, although this reduced in the 1990s and was applied to only about a seventh of total bilateral aid by 1996. It was abolished altogether in 2001.

Lessons of experience also led to changes. This was particularly the case with project-based and technical assistance modes of aid delivery, with neither of these now viewed as having been very effective, partly because of the high transactions costs which they involve. Along with other donors the UK has therefore turned towards programmatic forms, as mentioned earlier.

British aid policies to Africa have changed in other major ways. Among the most obvious in recent years is the extent to which DfID's agenda has shifted from a project-led promotion of economic growth to concentration on the goal of poverty reduction and achievement of the MDGs. Indeed, DfID's mission statement is now officially summarised as to, 'eliminate poverty in poorer countries, in particular through achievement by 2015 of the Millennium Development Goals' and the Public Service Agreement which it has with the Treasury is defined almost exclusively in terms of progress towards the MDGs and the reduction of poverty. The poverty goal is reflected in a shift in the end-use of aid to Africa away from directly productive economic sectors in favour of social services and 'governance' noted earlier. It is true that it was the 1975 White Paper which first gave prominence to the poverty-reduction objective but this was a less dominant theme and was viewed more in terms of rural development.

²⁶ There were aid elements in the activities of the Export Credit Guarantee Department and the Commonwealth Development Corporation but these were always minor parts of the total, so that the policies of the aid department almost represent the totality of the picture.

Table 2: Forty years of governments, Prime Ministers and aid administrations

<i>Period</i>	<i>Party & Prime Minister</i>	<i>Aid Administration</i>
1964-70	Labour. Harold Wilson	Independent Ministry of Overseas Development created, with minister having a seat in the Cabinet (1964). Political status down-graded in 1967, with minister losing Cabinet status. Publication of White Paper: <i>Overseas Development: The Work in Hand</i> (1967)
1970-74	Conservative. Edward Heath	Department re-named Overseas Development Administration (ODA) and becomes formally part of the foreign affairs ministry (Foreign and Commonwealth Office – FCO), represented in Cabinet by the Foreign Secretary.
1974-79	Labour. Harold Wilson (to 1976) James Callaghan (1976-79)	Reverts to 1964 status – independent of FCO and with Cabinet-level minister. Publication of White Paper, <i>Overseas Development. The Changing Emphasis in British Aid Policies. More Help for the Poorest.</i> (1975)
1979-97	Conservative. Margaret Thatcher (to 1990) John Major (1990-97)	Reverts to the 1970-74 status.
1997 to date	(New) Labour. Tony Blair	Reverts to 1974-79 status, re-named Department for International Development (DfID) and with additional responsibilities in international economic issues which have a bearing on developing countries. Publication of two White Papers: <i>Eliminating World Poverty: A Challenge for the 21st Century</i> (1997) <i>Eliminating World Poverty: Making Globalisation Work for the Poor</i> (2000)

The nature of the relationships which the UK as a donor has sought to establish with recipient governments has also undergone substantial change. This has been partly the result of the waxing and waning of non-developmental foreign policy and commercial motivations described earlier. It has also resulted from another change observed above, the move from project to programmatic modalities. This shift first achieved prominence in the ‘structural adjustment’ era of the 1980s and earlier 1990s, when the IFIs were highly active in the placing of adjustment credits, especially in Africa, and when an increasing share of British aid was used in support of these. As this developed, relationships became increasingly based on donors’ desire to improve economic and institutional policies within recipient countries, attempting to use financial leverage through the application of extensive policy conditionality. During the ‘80s, the UK was largely content to piggy-back on the conditionality of the IFIs (especially the IMF), generally making access to its own programme assistance conditional upon a country’s continued satisfactory implementation of IFI adjustment programmes.

An extension of conditionality-based assistance occurred in the early 1990s with a sharply increased use by the UK and other bilateral donors (and with the IFIs this time trailing behind) of political and governance-related conditionality. In the words of the then Foreign Secretary, Douglas Hurd, in 1990, ‘Countries tending towards pluralism, public accountability, respect for the rule of law, human rights and market principles should be encouraged. Governments who persist with repressive policies, with corrupt management or with wasteful and discredited economic systems, should not expect us to support this folly with scarce aid resources.’

In practice, neither the IFI's policy conditionality nor the political conditionality of the bilaterals was pursued with consistent rigour and recipient governments quickly learned how to play the conditionality game without prejudicing continued inflows of assistance. It is perhaps not surprising, therefore, that a major feature of the 1997 White Paper was an announced move away from relationships based on conditionality in favour of more even-handed 'partnerships' involving mutual recipient-donor responsibilities. Policy and governance issues were still regarded as of central importance but these were henceforth to be based on local ownership, policy dialogue and mutual agreements among parties. An implication of this shift was also that the UK would henceforth be more selective in the African (and other) governments it supported, reducing its aid to those which did not meet minimum conditions of trustworthiness and desire to promote poverty reduction. However, it is not clear that there has since been any decisive move towards greater selectivity. It is probably also true to say that it has proved quite difficult to draw and maintain the line between a relationship based on conditionality and one rooted in ownership and partnership. It is likely that only in a few British-aided African countries has there been a clear and generally-recognised change in relationships, although DfID's desire is undoubted.

Lastly and related to the moves towards programme aid and policy dialogue, the substantial decentralisation that has occurred in DfID's operational structure should be noted as an important development. In virtually all major African recipients, substantial financial and policy authority is vested in the local DfID representatives, with reference back to London restricted to the most major or sensitive issues. A possible down-side of this is that DfID headquarters may now find it harder to secure uniform implementation of its policy intentions.

To sum up, it is evident from the above account that there has been quite a lot of fluidity in British aid policies towards Africa over the last four decades. Major movements have occurred in almost every dimension, although inevitably the reality of change on the ground has often been less dramatic than the observable shifts in headquarters policies. The main task of the remainder of this paper is to try to identify the main determining influences on the evolution of policy described above.

Determining influences

The long-term course of the policies of any institution is the result of interplay between inertial forces, tending to perpetuate the *status quo*, and active forces for change. Policy-makers are constrained by history, by special interests who benefit from existing policies, by settled ways of viewing problems, by the perceived dangers or uncertainties of changing course. The extent to which they are free of inertial forces – especially the restraining hands of interest groups – shows the extent of their *autonomy*, a concept which became popular in the literature explaining the relative success of East Asian 'miracle' economies, where policy-makers were seen to have enjoyed substantial autonomy from special interest groups.

In what follows, both inertial and proactive forces are described but what is already suggested by the policy fluidity described in Section 1 is that British aid administrators have enjoyed quite a high degree of autonomy, although more so at some times than others. The following account identifies three broad influences: historical; ideological and intellectual; and what is termed the global politics of aid.

(a) The influence of history

British imperialism – and post-colonial guilt – offers an obvious starting point. A direct line can be traced back from the creation of ODM in 1964 to grants in aid provided to colonies from the 1870s. Such assistance was more formally organised under the 1929 Colonial Development Act and subsequent Colonial Development and Welfare Acts of 1940 and 1945. The provision of this support was intended to end as colonies became independent, with what would now be called development assistance then to be restricted to the provision of some technical assistance and contributions to multilateral institutions like the World Bank. The strength of the British anti-colonial movement, adoption elsewhere of bilateral aid programmes and a change of government altered that, however, and led to the creation of ODM in 1964.

Forty years later the influence of the UK's colonial history is still evident, even if it is gradually being eroded. The persistently large share of Commonwealth country recipients is illustrated in Figure 1 (page 2). As recently as 1999/2000 no less than 72% of DfID's total bilateral aid (excluding humanitarian assistance) went to Commonwealth countries, about the same as ten years earlier. This share has since diminished but was still as high as 60% in 2003/04, when 15 of the top 20 recipients were Commonwealth countries. Former British colonies in Africa have benefited from this bias. Twelve of the top 20 were African countries, of whom only one (Ethiopia) was not a Commonwealth member.²⁷ The strength of the historical factor is illustrated by the continued enjoyment of substantial British assistance to Malawi and Zambia, neither being a country that would appear to merit priority in terms of the effectiveness of such aid. It is also illustrated by the absence of any clear downward trend in the Commonwealth's share of UK aid, illustrated in Figure 1.

The lingering influence of British imperialism, then, has acted as an inertial force. A more recent historical development, however, served as a spur to change. This was the end of the Cold War at the beginning of the 1990s. This undermined the *raison d'être* for supporting certain corrupt and anti-developmental regimes which, however, had enjoyed geopolitical importance during the period of East-West standoff (although this was not a factor which greatly influenced the distribution of British aid to Africa). More generally, the end of the Cold War tended to reduce the weight attached to foreign policy considerations in British aid allocations. It was not a coincidence that the political conditionality referred to earlier was introduced after the end of the Cold War. In principle, the collapse of communism as a possible threat could have brought a 'peace dividend' to the aid budget but the priorities of the government of that time did not favour that. Indeed, the decision of the incoming Labour government of 1997 to stick with the announced spending allocations of its predecessor for two years meant that it was not until the end of the 1990s that the aid budget could begin a period of rapid real growth that has continued through to today.

History enters the story in another way too, through its influence on the course of British domestic macroeconomic policies. There were long periods during the post-World War II period when, from today's perspective, successive administrations pursued inappropriate macro policies which, in turn, impacted on the scale of the country's aid budget. Thus, throughout much of the 1960s and 1970s governments sought to maintain relatively fixed ('adjustable peg') exchange rates which were inconsistent with governments' fiscal stances and the relative inflexibility of the economy. This led to sometimes acute balance of payments difficulties ('sterling crises'), which governments sought to resolve through imperfectly executed policies of financial stringency. As an economic advisor in the then Ministry of Overseas Development in the late-1960s, the present writer well remembers the balance of payments justifications offered for the squeeze on the aid budget of that time. The huge macro pressures that were generated during the first years of the 1990s by Britain's attempts to sustain a stable exchange rate at an inappropriately high rate through membership of the EU's Exchange Rate Mechanism are a more recent memory, as is the financial stringency which followed its collapse. Interestingly, the move since to a policy of market-determined exchange rate flexibility has assisted the aid programme, not only eliminating the foreign exchange constraint but also, via a competitive exchange rate, removing the last rationale for protecting British exporters through aid tying and the ATP.

Of course, Britain's aid budget is a small part of total state spending (under 5%), so it has always been possible to argue that it would not matter in macroeconomic terms if the government of the day chose to give priority to maintaining the aid budget even during periods of general financial stringency. It is certainly the case that the administrations in power in the periods when aid was in decline – the second half of the 1960s and the 1980s and much of the 1990s – demonstrated a relatively low regard for aid (Mrs. Thatcher, who was premier for much of the latter period famously dismissed it as 'hand-outs') but even with good will it could be electorally difficult to justify such special treatment when the domestic provision of state services was being squeezed. As it is, although the existence of an aid budget enjoys considerable public support, general election results have been little influenced by controversies about development assistance.

²⁷ The picture is made a little more complicated, however, by the fact that one of these Commonwealth recipients was Mozambique, a former Portuguese colony which, uniquely, opted to join the Commonwealth.

(b) Ideological and intellectual influences

The last paragraph brings us naturally to consideration of ideology and party politics. The design of aid strategies and the specifics of policy have, by and large, not been the subject of any deep disagreement between the two main political parties, although differences have arisen on the extent to which aid should be used explicitly to promote British interests and on the desirable scale of the aid budget.

As regards the pursuit of British interests, the main contrast that is often drawn is between the view of successive Conservative administrations during 1979-97 and its Labour predecessors and successors. Although the Conservative administrations chose not to fully articulate an aid policy, it was significant that early on, in 1980, the then Minister announced the intention to 'give greater weight in the allocation of our aid to political, industrial and commercial considerations, alongside our basic development objectives.' Although developmental concerns throughout were still accorded considerable weight and most Conservative ministers responsible for aid were generally held in good regard within development circles, there was a real shift of emphasis, a greater willingness to use aid to protect commercial and investment interests and to promote such foreign policy objectives as maintaining the UK's leadership role in the Commonwealth and its permanent seat on the UN Security Council.

That this was a real difference has been demonstrated by the changes introduced by Labour since 1997. As we have already noted, tying and the mixed-credit ATP scheme have been ended. The status of DfID – and its ability to resist pressures from the ministries responsible for foreign affairs and trade – has been enhanced. In fact, one of the ways in which party politics has played out over the years has been over the status enjoyed by the aid administration. The history of this was set out earlier (Table 2), one of the main points at issue being the extent of independence which the department should enjoy from the foreign policy establishment. In essence, Labour has stood for a relatively strong and independent aid ministry, the Conservatives for a weaker department formally located within the FCO.

In the Japanese context, it is worth speculating on why it proved possible to end tying without any large public controversy. A number of explanations can be suggested. First, the British political culture gives rise to an executive power which is large *vis a vis* special interest groups. Such groups have influence, of course, and some in earlier periods have had major power (e.g. the trade unions in the 1960s and 1970s) but it has become relatively uncommon for governments to be unable to implement a policy change which they regard as important because of interest-group opposition. Second, by no means all British industry is protectionist (tying, of course, is just a form of protectionism) and protectionist lobbying had to be set against the anti-tying propaganda of campaigning NGOs. Third, as evidence accumulated on the high costs of tying to recipients, the British experience was that only a relatively few firms actually benefited much from it, so that the base of their support within industry was not very broad.

Fourth, the credibility of the old defence of tying – that it should be retained as a bargaining weapon in efforts to induce other donor governments to reduce their tying – became seriously eroded over time, as other donors continued to drag their feet. Fifth, as noted earlier, the change to a competitive, market-determined exchange further eroded the intellectual case for protection. Finally, there was the sheer inefficiency of using an aid programme as a way of supporting domestic industry. If the government wished to engage in protectionism, it was seen as more efficient (to the extent that protectionism can ever be described as efficient) and equitable to do so through the normal instruments of unfree trade, rather than using a spending programme ostensibly intended for quite different, developmental, purposes.

In any case, within the UK, since 1997 the primacy of developmental considerations has been powerfully reasserted, not least through publication of two White Papers and supporting legislation. In fact, the 2002 International Development Act made it unlawful for British aid to be used for any purpose other than the furtherance of sustainable development or improving the welfare of the populations of assisted territories. Interestingly, these changes were not the subject of much party-political controversy. The Conservative response to the seminal 1997 White Paper was muted but essentially supportive. More recently, the Conservative Party has formally pledged to match Labour's commitment to achieving the UN target of an aid programme equivalent to 0.7% of GDP by 2013

(although with more of it going through bilateral programmes). Indeed, in the specifics of aid policy, there has throughout been a degree of consensus between most interested members of both parties.

We should also not neglect the changes that can be brought about by Ministers with political standing and strong personalities. The early candidate here was Barbara Castle, appointed Minister when ODM was created in 1964. A more recent example is Clare Short, Secretary of State from 1997 to 2003. Without question, her political strength and willingness to fight her Department's corner within government had a great deal to do with the changes that have occurred in British development policy under the Blair administration, albeit with the strong support of the Prime Minister and Chancellor of the Exchequer. As her former Permanent Secretary has written, the incumbency of Clare Short meant for him a change 'from Administration to Delivery', to a far stronger focus on getting developmental results.

What have these political-cum-ideological influences meant specifically for aid to Africa? Obviously, as discussed earlier, what happens to the total aid budget has a strong bearing on how much can be provided for Africa. Beyond that, a more aggressive use of aid to promote British interests, under Conservative administrations, might have favoured economically and politically more important countries in Asia but the sheer number of African countries meant they were bound to carry weight when Britain looked for support at the UN or in the Commonwealth. In the design of aid policies towards Africa, it is not clear that inter-party differences have made much difference.

Changes in the intellectual climate have had more impact. Evolving perceptions of the meaning and nature of 'development', and of how aid can best contribute to this, have certainly fed into the redesign of aid policies. In the 1960s and beyond, an economic view dominated, in which development was largely seen in terms of economic growth, with the pace of growth largely viewed as a function of the rate of investment. Poor countries were seen as having limited saving capacities, resulting in major gaps between domestic investible resources and the volume of investment required to raise per capita incomes at an acceptable pace. Aid, then, was to help fill this financing gap (and also a foreign exchange gap). One way of ensuring that aid was indeed used for investment (it was then believed, before the subversive notion of fungibility took hold) was to devote it to the financing of development projects, hence the dominance in this earlier period of the project mode in aid delivery.

Thinking about development has since moved on in many ways that have had a bearing on aid policies. A more multi-dimensional view is now taken, with social, quality-of-life and 'governance' variables now also seen as central, alongside economic ones. While poverty has always been a concern of development economists, there is now much less willingness to take for granted that economic growth will provide a sufficient solution, not least because poverty is now viewed as involving more than material deprivation and as having important non-economic dimensions. Even in the economic sphere, experience has taught that there is more to achieving growth than simply maximising the rate of investment: the quality of investment decisions, the productivity of past investment and associated rates of technological progress are all important. In turn, these variables came to be seen as crucially determined by the policy environment, and a more sceptical view was taken of the efficacy of the state as an economic agent.

Amongst students and practitioners of development, there has also been a growing awareness of the limitations of what can be achieved by external assistance, and of the centrality of domestic sources of change within poor countries (although the most recent developments imply a return to the aid-optimism of an earlier time – see 'Conclusion' below). It is this realisation, partly fuelled by the perceived ineffectiveness of conditionality and financial leverage, which lies behind the present-day emphasis on the salience of domestic ownership of policies and institutional development.

Mention should also be made of the existence within the UK of a strong and increasingly sophisticated group of civil society organisations which have been supportive by raising public awareness of the problems of Africa (e.g. by mobilising the public during the Ethiopian famine of 1984) and other poor countries. Although these bodies have not always enjoyed the influence to which they aspired, they have undoubtedly been a strong influence on specific UK policies relating to the quality of aid (for which the Independent Group on British Aid was an effective lobby during the 1980s and into the 1990s). The umbrella NGO group Jubilee 2000 was highly effective in campaigning for debt forgiveness

at the turn of the century, while well resourced and organised NGOs like Oxfam and Christian Aid exert an on-going influence through their research-based campaigning

(c) The global politics of aid

It is sufficiently well-known to need no elaboration here that, by comparison with other developing regions, Africa has emerged as the most problematical and the biggest challenge to all who aspire to end poverty in the world (although this is subject to the usual caution against over-generalising about a continent that actually contains a wide range of experiences). The long-term lagging pace of growth and development in much of Africa, the tendency for poverty to increase overall, rather than decline, its record of failed states, of international and internal conflicts and associated mass movements of refugees, is well known. It is this which explains the extent to which international aid efforts have become especially concentrated on Africa during the last two decades or more. The UK, as shown earlier, has shared in this concentration.

Conditions in many African countries also help explain other aspects of the changing policies recorded above, such as the extremely high levels of concessionality and the (albeit lagging) provisions of debt relief, the retreat from project assistance, the intense focus on structural adjustment in the 1980s and beyond, the growing interest in issues of 'governance' and institution-building, and the rise in the scale of humanitarian assistance. To a substantial extent, then, UK policy changes have been a response to conditions in Africa and the slow progress of much of the continent.

British policies have also been shaped by other agencies working in the aid field. The IFIs have been particularly important, not least through their influence on the changes in attitudes towards development sketched earlier. The direct influence of the IFIs on British policy during the structural adjustment phase of the 1980s-1990s has already been noted, formalised by cross-conditionality between country execution of IFI (especially IMF) adjustment conditionality and access to British programme aid. It is similarly said that the theme of the 1975 White Paper on the need to meet basic needs was a result of work by the Bank's staff. More generally, the Fund has been important in changing developing-country attitudes towards the importance of sound macroeconomic management, while the Bank's research and publications have influenced thinking about many aspects of development. The IFIs have exerted influence in more personal ways too. It is likely that Clare Short was influenced by her good relationship with the Bank's President, James Wolfensohn. And both IFIs have provided key individuals to work within DfID in recent years.

In parallel with this, the Development Assistance Committee (DAC) of the OECD has been working quietly, trying to induce bilateral donors to co-ordinate better and to reform practices, like tying, which reduce the value and effectiveness of aid. For long an ineffectual talking shop, the DAC has become somewhat more influential over the past decade, as concerns with aid effectiveness and transactions costs have grown and with its initiation of a process which culminated in the formulation of the MDGs. The work of the DAC and the views of other members of that Committee have undoubtedly fed into the evolution of British policies, which are nowadays focussed around achievement of the MDGs and are strong on the desirability of donors working collectively to harmonise their efforts and to become more cost-effective. There have been other external influences too: various United Nations conferences (e.g. the 2002 Monterrey conference on financing for development), the work of the UNDP on country-level aid co-ordination and other UN agencies, the Development Committee, the Strategic Partnership for Africa, and others. 'Like-minded' aid ministers and their agencies – a shifting body of alliances – have also been influential at different times.

However, while these various donor-based activities have doubtless fed into UK policies, it is probably accurate to say that DfID and its predecessors, as among the most professional of the bilateral aid agencies, has been more leader than follower. This has certainly been the case in the most recent period, when, working with other 'like-minded' donors, DfID has rather self-consciously sought a leadership role, in the vanguard in advocacy of harmonisation around the MDGs, in favour of programme aid and other measures to lower aid's transactions costs, working towards collective donor decisions to increase their aid budgets, and promoting the creation of an International Financing Facility (IFF). In other words, participation in the various collective forums has more often represented a platform than a constraint. (See also Sven Grimm's accompanying paper on continental European responses to UK aid policies.)

Conclusion and implications for the future

We have shown that there have been many influences on British aid policies, both generally and towards Africa. There have been some important forces making for continuity: the influence of the country's imperial past; the influence of commercial interests intent upon preserving trading and investment advantages; delays in turnaround leading to discrepancies between what headquarters says its policies are and what actually happens in the field.

Overall, however, it is change, not inertia, which marks the record of British aid policies towards Africa. On election to power, political parties have been relatively unconstrained in pursuing desired policies in a top-down manner – what we earlier called policy autonomy. What governments have wanted to do has, in turn, been influenced by the evolving intellectual climate, by what the IFIs and other bilateral donors are doing, and by the campaigns of civil society organisations. Parliament has rarely been much of an influence, because of the degree of cross-party agreement, because of the general weakness of Parliamentary scrutiny in the UK, and because the specifics of aid policies have largely been seen as technocratic matters in which Parliament has little expertise or interest. On the face of it, the relatively recent introduction of a Public Service Agreement between DfID and the Treasury could be seen as constraining the freedom of DfID's policy-makers but, at present at least, the goals written into this are highly congruent with the Department's own priorities (and were probably drafted by it), so it operates more as a constraint on any who would wish to dilute DfID's development priorities than it does on the department itself.

This fact of policy autonomy is important in understanding the present juncture of British policy towards Africa, for it is clear that the present government is on the cusp of a major shift. The UK intends to use its 2005 Chairmanship of the G8, and Presidency of the EU in the second half of 2005, to push for a massive increase in efforts to reduce poverty in Africa. As the Prime Minister has stated of the G8, 'There will be calls to double aid to Africa.' The Prime Minister initiated and is chairing an Africa Commission which is expected to back calls for a doubling of aid to achieve the MDGs when it reports in spring 2005. The government, notably the Chancellor of the Exchequer, continues to promote the creation of an IFF, which would, in effect, mortgage future aid flows to secure a massive short-term increase.

To those who are sceptical about such a shift, it represents an implicit rejection of the greater realism that emerged during the previous two decades about what can be achieved by external assistance. There is, thus, an implicit rejection of the primacy of domestic ownership. The intended scale of the operation and the enormous pressures to spend which it would create would, the critics argue, undermine the efforts of the recent past to enter into partnership-based relationships. On this view, by going beyond countries' absorptive capacities, it would also undermine efforts to improve the cost-effectiveness of aid.

Whether or not these fears are justified, the changes now planned by the government (predicated, however, on the return of a Labour government in elections expected in May 2005) would represent a prime example of the top-down policy autonomy which has been the theme of this paper. Of course, the change would not be unconstrained. Above all, the government will want to carry other donors with it, a good few of whom are more or less reluctant, although the signs are that the government will, if necessary, adopt the policies unilaterally if necessary (the Prime Minister: 'We are doubling our bilateral aid to Africa; it will reach £1 billion in 2005 and will rise further'). Moreover, the lead time between announcement of a major change and its implementation is bound to be substantial, just as DfID has found it difficult to shift further towards direct budgetary support as fast as it wished. Moreover, there is likely to remain a strong Anglophone bias in DfID's aid programmes in Africa, although this is being diminished by the emergence as substantial recipients of such countries as Ethiopia and Mozambique.

There will be constraints, then, but nothing powerful enough to frustrate a governmental exercise of political free will in favour of much more aid to Africa.

Sources consulted

- Blair, Tony (2005), 'A year of huge challenges.' *The Economist*. 1st January.
- British Government aid White Papers:
Overseas Development: The Work in Hand (1967)
Overseas Development. The Changing Emphasis in British Aid Policies. More Help for the Poorest. (1975)
Eliminating World Poverty: A Challenge for the 21st Century (1997)
Eliminating World Poverty: Making Globalisation Work for the Poor (2000)
- Conway, Tim (2003), 'Changing aid policies of the major donors: UK case study.' London: Overseas Development Institute. Processed (draft).
- Cumming, Gordon D. (1996), 'British aid to Africa: a changing agenda?' *Third World Quarterly*. 17(3).
- Cumming, Gordon D. (2001), *Aid to Africa: French and British Policies from the Cold War to the New Millennium*. Aldershot: Ashgate.
- Department for International Development (2004), *Departmental Report, 2004*. London: DfID.
- Journal of International Development* (1998). Special issue on the 1997 White Paper on International Development. (Especially overview article by Howard White and contribution by Hewitt and Killick.)
- Mosley, Paul (1996), 'The failure of aid and adjustment policies in sub-Saharan Africa: counter examples and policy proposals.' *Journal of African Economies*. 5(3); October.
- OECD Development Assistance Committee (DAC) (1996), *Shaping the 21st Century: The Contribution of Development Co-operation*. Paris: OECD.
- Olsen, Gorm Rye (2001), "European public opinion: aid to Africa." *Journal of Modern African Studies*. 39(4).
- Vereker, John (2002), 'Blazing the trail: eight years of change in handling international development.' *Development Policy Review*. 20(2); May.
- Statistics from OECD-DAC and the Statistical Department of DfID.

Annex 3: A summary of the consultations of the Commission for Africa

David Sunderland²⁸

Introduction

Part I of this report describes the Commission for Africa (CFA): its vision, timing, structure and process of consultations. Part II provides a summary of the key issues emerging from the consultations by the themes of the CFA itself, and concludes by listing major areas that appeared to be missing. The report is part of a wider report on *UK Aid Policies for African Development in the run-up to the 2005 G8 summit and their implications for Japan*.

Part I: The Commission for Africa

The CFA's vision²⁹

The CFA was launched by Tony Blair in February 2004:

‘to support and generate ideas and actions for a strong and prosperous Africa. It is an independent body with seventeen Commissioners, nine of whom are African. It will report in spring 2005. The challenge for the Commission for Africa is to set out comprehensive, coherent and practical proposals for action by the international community which, with Africa leading the way, can accelerate and sustain Africa’s growth and development. It will help to promote and fashion a new relationship between the rich world and Africa; one of common objectives and of partnership in action.’

The year 2005 is seen as a special opportunity to create new political will with regards Africa, ‘not seeking to duplicate existing work’, as reflected in the CFA’s objectives:

- a) To generate new ideas and action for a strong and prosperous Africa, using the 2005 British presidencies of the G8 and the European Union as a platform;
- b) To support the best of existing work on Africa, in particular the New Partnership for African Development (NEPAD) and the African Union, and help ensure this work achieves its goals;
- c) To help deliver implementation of existing international commitments towards Africa;
- d) To offer a fresh and positive perspective for Africa and its diverse culture in the 21st century, which challenges unfair perceptions and helps deliver changes; and
- e) To understand and help fulfil African aspirations for the future by listening to Africans.

The CFA also notes that in 2005 ‘the UN will assess progress on the MDGs at the Millennium Summit and propose a world action plan ... and it will be the 20th anniversary of Live Aid, the occasion when in July 1985 the people of the rich world recognised the problems of Africa and embraced them, in common humanity, as their own.’

Timing of the Commission

The first meeting of the Commissioners³⁰ was on 4 May 2004 in London, after which a draft outline of the CFA’s work was published for comments. This outline was deliberately broad to encourage contributions from a wide range of areas, setting the scene for the first round of open consultations (June-September 2004).

²⁸ Research Associate, Overseas Development Institute.

²⁹ Quoted from the CFA Consultation Document, November 2004, ‘Action for a strong and prosperous Africa’, http://www.commissionforafrica.org/getting_involved/consultationdocument.htm and the CFA website at <http://www.commissionforafrica.org>

³⁰ Listed at http://www.commissionforafrica.org/getting_involved/listofcommissioners.htm

On 7-8 October 2004 the Commissioners met for a second time in Addis Ababa. Following this meeting, on 10 November 2004 the CFA Consultation Document 'Action for a strong and prosperous Africa' was published³¹. This contained the preliminary proposals of the CFA, around which the second round of open consultations (November-December 2004) were directed to focus their submissions.

The third and final meeting of the Commissioners will meet on 24 February 2005 in London to consider all of the submissions, with the final Report of the CFA due to be published in mid-March 2005.

Structure and process

The CFA Secretariat is based in London, funded and hosted by DFID, with approximately 30-35 staff. After the publication of the CFA Report in March 2005, a reduced staff will continue working in the Secretariat until the G8 Meeting in July (and possibly beyond this).

Commissioners have had an active and varied role in addition to participating in the principal meetings, directing the Secretariat's role through formal meetings, regular discussions with managers working on their themes, and through providing substantive comments on draft reports and internal papers³².

From June to December 2004, the CFA has aimed to 'collect contributions through structured consultation opportunities, public meetings and other events, online discussions [on its] website, and direct submissions'.

There were over 300 formal written submissions, or 'direct submissions', made by one or more individuals and/or organisations. These submissions were not analysed in this report, with the focus principally on formal consultation events and reports.³³

Part II: Summary of formal consultation events

A list of all of the formal consultation events and reports is listed in Appendix 1. They were analysed by considering them in relation to the nine themes laid out in the November 2004 CFA Consultation Document, 'Action for a strong and prosperous Africa':

Governance, peace and security

1. Build effective states
2. Increase transparency and reduce corruption
3. Promote peace and security

Human development, culture and inclusion

4. Improve healthcare systems for all
 - (i) HIV / AIDS
 - (ii) Strengthening health systems
5. Invest in education, especially for girls
6. Tackle vulnerability through social protection
7. Respect Africa's culture and promote participation

³¹ Downloadable at http://www.commissionforafrica.org/getting_involved/consultationdocument.htm

³² Personal communication with the CFA Secretariat.

³³ Support for the CFA in the direct submissions was generally very positive, with a few exceptions. Richard Dowden of the Royal Africa Society was particularly critical of the CFA, noting the danger of it being seen as a 'talking shop producing another report on Africa', limited as a 'British operation' using the 'opaque' language 'of Western NGOs', and operating in a very short timeframe (e.g. the Brandt report had seven years). See http://www.commissionforafrica.org/getting_involved/Submissions/SubmissionsNovDec2005/RAS%20Response%20to%20Africa%20Commission.doc. Nationally, the CFA was received largely ambivalently in Germany and the USA, and (perhaps unsurprisingly) to a hostile press in Zimbabwe: but like the direct submissions, these tended to be the exception rather than the rule.

Opportunity and growth, aid and debt relief

8. Foster growth
 - (i) The investment climate for growth, including infrastructure
 - (ii) Trade
 - (iii) Employment
9. Build a new vision for development assistance
 - (i) Aid volumes
 - (ii) Debt relief
 - (iii) Aid quality and delivery

The individual recommendations in the summaries of each of the formal consultation events were then compared to the CFA's recommendations in the Consultation Document (appearing in *italic* later in this report)³⁴. In addition to those themes in the Consultation Document, three further themes emerged:

10. Natural resources and the environment*
11. (Actions that should be taken by) Western governments and the G8
12. Migration and the diaspora*

Appendix 1 also shows the popularity of these themes, broken down by the eight principal 'groups' consulted (e.g. African civil society, African business, UK-based diaspora, etc). Note that the VSO consultation (based on responses to a questionnaire) is not in these groups but is cited several times in this report given that it represents a large number (1,772) of respondents in Africa.

The bulk of this report considers the collated responses to each of the themes. In general, those recommendations that received the highest level of support within the theme are presented first.

1. Build more effective states

This theme attracted the most interest, accounting for over 13% of all recommendations. More recommendations than average came from the African business and UK diaspora consultations.

The CFA's call for *mechanisms to facilitate diaspora groups in state building* was most popular, directly relating to most of the recommendations around the cross-cutting theme of **Migration and the diaspora**.

³⁴ This analysis involved constructing a spreadsheet in which all of the themes and associated recommendations (x-axis) were tabulated against the 26 consultation summaries (y-axis).

* These were identified before the November 2004 consultation document by the CFA as cross-cutting themes, along with 'Gender and participation'. The analysis also identified groups of recommendations related to regional integration, NEPAD, and the processes of the CFA itself. For the analysis, themes 4 (healthcare), 8 (growth) and 9 (development assistance) were divided into their sub-themes, giving a total of 20 discrete themes.

Almost equally popular was the suggestion to *support science and technology* and research. Adult and life-long education was mentioned in this context, for example through open, distance and electronic learning; but the strongest emphasis was on national skills development planning, particularly for young people. To a lesser extent there was a call for *initiatives for a resurgence of higher education*.

‘Create a vibrant civil society’ was also recommended by many consultations. Civil society was mentioned in regard to partnerships, although to a lesser extent than public-private partnerships. But the need to regulate the private sector was mentioned: for this, corporate governance, social responsibility and peer assessment were all recommended. In the public sector, there was support for the idea to *help governments attract, motivate and retain skilled staff* and also for reforming civil services. Governments would also need to develop *strong, fair and efficient ways of raising revenue* while being *more accountable to [their] own people for public resources raised from them*; equally the international community would need to help in *building effective states that serve the people and promote development*. There were also many recommendations which showed support [for] the African Peer Review Mechanism (APRM).

Most recommendations around migration and the diaspora (theme 12 above) were on how to mitigate the negative effects of the brain drain and create a more equitable work environment. These included:

- ‘Reverse immigration’: encouraging the diaspora to return to Africa
- Making the (Western) host country pay the previous education/training costs (of the people they recruit) to the country of origin
- Mechanisms to allow the freer movement of people across borders
- Job swaps between African and other countries, particularly involving young people in the diaspora

2. Increase transparency and reduce corruption

This was the third most popular theme, with more recommendations than average coming from the African Internet consultations.

Local and national radio was mentioned several times as an appropriate medium for transmitting information. The VSO consultation showed that 41% of respondents ranked this as their ‘main source of information’, with 65% saying that it was the ‘largest or second largest source of information used’. By contrast only 4% of respondents had any access to the Internet.

The CFA’s call to *promote transparency in all sectors* was the most popular recommendation, through mechanisms to promote accountability, pluralism, the rule of law, and participation. Access to, and the free flow of, information was part of this, allowing civil society to scrutinise the work of governments (allowing *public participation and public allocation in budgets*, for example) – and for people to learn about their rights and responsibilities. Strong criticism was directed at the CFA consultation paper for not explicitly mentioning human rights, and there were several recommendations related to these; for example, the relevance of rights with respect to states and their constitutions, or in

trade and investment agreements in Africa and the international community. An independent and effective media, judiciary and government watchdogs were cited as solutions by many. While some consultations highlighted the need for governance models to be based more on African models, others said ‘economic democracy’ had been lacking (often citing the need to have ‘less red tape’).

There was also considerable support for the CFA’s proposal for *stronger mechanisms for tracing and repatriating illicitly acquired assets* and against corruption, for example to ‘punish the briber and the bribed’, supporting the *implementation of existing conventions on corruption and bribery* (with the suggestion to audit donor funds and public expenditure more efficiently). Finally, there was support to *strengthen [the] quality and use of data in Africa*

3. Promote peace and security

Promoting an international arms treaty was the most popular recommendation, with calls to regulate small arms and mercenaries being mentioned in relation to this. There were recommendations to tackle the root causes of conflict (e.g. through management, prevention and resolution). There was also support [for] *AU initiatives on peace keeping* and the need to *improve the effectiveness of the international community*; several consultations stressed the need to monitor small disputes so that fast action could be taken if they flared up.

The other main recommendation was to include women and young people at every stage in conflict prevention and resolution and peace-building. Others noted that cultural values and practices should be given more attention when dealing with conflict prevention and resolution – both in informing the process and also in terms of sensitivities between certain groups (e.g. Christians and Muslims), but also in relation to other aspects such as HIV/AIDS and population growth.

It was also suggested that civic education should have a conflict-awareness component, and that democracy and better governance had a key role in this area. A couple of recommendations advocated supporting states to reform their security sectors.

4. (i) Improve healthcare systems for all: HIV/AIDS

Although there were not many recommendations for HIV/AIDS compared to other themes, it was, by contrast, mentioned in the vast majority of consultations. By a large margin, the recommendation at the top of the list was to *provide anti-retroviral treatment [ART] through strengthened health systems*. Following this, suggestions included better awareness programmes (and the related need to reduce stigma); targeting groups such as women and girls and orphans; attention to palliative and hospice care, and counselling; and the need for more local facilities dealing with the disease.

<p>ART, cheap generics, drugs produced in Africa, drugs delivered on time: these were many of the suggestions arising related to drugs for both HIV/AIDS and other diseases.</p>
--

4. (ii) Improve healthcare systems for all: Strengthening health systems

There was strong support for all of the CFA's proposals, starting with *strategies to overcome 'diseases of poverty'* (such as malaria, polio and tuberculosis). The need for *clean water and sanitation* was the next most popular recommendation in this theme.

Initiatives which built *effective health systems [coordinating] human resources, information systems, physical infrastructure and essential commodities* were also supported, along with *stronger local accountability of health service providers* and better *capacity for product procurement, delivery and development*. Health systems were mentioned most frequently as the sector that had suffered from the brain drain.

Finally, women's and *reproductive healthcare* was mentioned: a couple of consultations argued the need to eliminate harmful practices to women (female genital mutilation being implied but not stated) as well as ways to reduce infant mortality and deaths of women in childbirth.

5. Invest in education, especially for girls

Vocational and specialised training was seen as the main priority in this theme: developing entrepreneurial skills, apprenticeships and links to industry, special provision for the disabled, and 'the ability to think innovatively' were related suggestions. Public-private partnerships were seen as having a role to play in this area. There were also recommendations for either teaching in the vernacular or multilingual education.

There was also support for the CFA's proposal to *meet existing resource commitments, including the fast track initiative for primary education*; and specifically to meet the 'Education For All' goals (with recommendations to prioritise girls, the disabled, and minorities).

The VSO consultation found that 'education' was chosen by 45% of respondents as the top priority out of a list of ten options* where they felt 'most attention was needed in their countries'. The same consultation found that 63% of those respondents with school-going children felt that the quality of education 'could be better' or 'improved a lot'.

*: 'life and liberty', 'freedom of thought and expression', 'equality for all people', 'law and order', 'education', 'health', 'livelihoods', 'other', and 'N/A'.

6. Tackle vulnerability through social protection

There were few recommendations which directly matched the two CFA proposals in this area – these were to *work with the AU and NEPAD on social protection programmes* and to *encourage the ILO, AU, NEPAD, the UN agencies and the World Bank to develop joint analysis and monitoring of poverty and vulnerability* – as the theme itself was somewhat cross-cutting. There were however suggestions to develop pension schemes and health insurance and (under theme 1 on transparency and corruption) strong support to *develop shared poverty reduction strategies*. Equally, the importance of working at the local level (and starting 'bottom up' with a focus first on families, then communities, then regions and finally the nation) was mentioned in this theme and others.

Although some consultations were unsure about NEPAD (for example in demanding that its targets needed to be more specific, particularly when working with the AU), the majority of them strongly supported it and advocated working with it as closely as possible.

7. Respect Africa's culture and promote participation

The CFA proposal that there should be *greater community participation, including by women and young people* received the most support in the consultations within this theme – with people with disabilities and the elderly mentioned as other groups that needed to be consulted more.

There were also many calls to rediscover, revalue, reinvigorate and promote indigenous Africa culture, art and history. Promoting indigenous languages was the first suggestion, coupled with the recommendation to pay more attention to African thinkers and specialist knowledge (not to mention the need to 'protect culture through copyright' and consider the wider question of intellectual property rights in the continent). Using African methods of organisation, for example the elder system, were also mentioned.

Gender was another cross-cutting theme for the CFA and recommendations to promote gender equality and women's empowerment appeared in many themes, such as the need to have more balanced parliamentary representation (although it is Rwanda, rather than a Western country, which has the highest proportion of female MPs); involve women in peace talks; or helping women with income generation.

8. Foster growth

Collectively, the three (sub) themes under 'Foster growth' drew the largest number of recommendations (20.4%), with a particular emphasis on infrastructure. More recommendations than average came from the African internet consultations and especially from the African business consultations.

8. (i) Foster growth: The investment climate for growth, including infrastructure

Regional integration was seen as key in many themes to Africa's future success, building on existing structures (such as COMESA, and its transport networks) to enable better economic cooperation and market integration between and within countries.

The most suggestions in this theme were for better *infrastructure programmes* – principally transport links and networks, at both national and regional levels (not forgetting delivery systems, e.g. buses); telecommunications and IT, particularly high-quality internet access; energy (with strong support for renewable energy); and water supply.

There were more general calls to build capacity, and for governments (both for infrastructure and the investment climate) to have more effective incentives, regulation, information services, and streamlined procedures. These echoed and supported CFA suggestions of the need for *long-term financial support* and *strong African involvement* – with better and more appropriate technology, human resources and effective entrepreneurs and businesses.

Related to this, there was support to *enhance the role of remittances in the African economy by improving the investment climate*. Encouraging Africans to keep their investments in the continent and easier mechanisms for transferring money were two suggestions, with strong calls to improve the banking systems. Two recommendations called for 'long-term integrated' rather than 'short-term vertical' financing.

Finally, there were many recommendations around agriculture, mostly suggesting the need to prioritise the sector. Specific recommendations included supporting modernisation and/or diversification (as well as funds to support farmers in transition), more local processing, more sustainable and organic approaches, and the need for research (particularly in dry-zone areas).

Respondents in the VSO consultation identified 'agriculture' as the most important sector now and in the future (68%) for the economy, followed by 'large industry' (40%) and 'small business'.

8. (ii) Foster growth: Trade

The CFA's proposals were widely supported, notably with regard to vigorously tackling *subsidies, tariffs, and non-tariff barriers* (between African countries as well as north-south) and having a *rapid and timetabled reduction of subsidies* (particularly with respect to agricultural goods). Related to this, there were several recommendations to develop the capacities of both government negotiators and civil society organisations in Africa to deal more effectively with WTO and global trade processes.

There were also capacity building suggestions in terms of helping African countries to brand goods and market them internationally. In terms of agreements facilitating access to foreign markets, the AGOA (US African Growth and Opportunity Act) was praised by some consultations.

Equally, recommendations supported the call for *mechanisms to support trade adjustment, including protection of the vulnerable and poor*, along with statements that African countries needed support to protect infant industries.

8. (iii) Foster growth: Employment

There was much support behind the suggestion that there should be more *private sector linkages with SMEs and partnerships* at all levels, for example in healthcare or urban housing programmes for people with low incomes, with both government and civil society. Echoing the suggestion to have better banking systems, there were recommendations to have better and more affordable borrowing facilities.

The suggestion that it was necessary to *promote private sector led employment generation* was supported, at the same time as recommendations that the role of the informal sector needed to be recognised, for example in economic performance indicators.

9. (i) Build a new vision for development assistance: Aid volumes

There was strong agreement of the need to *meet existing commitments on funding initiatives, including for health and education, or to double aid to Africa* and of *[Western nations] committing to a timetable to reach 0.7% of GDP for development assistance*. There was also support to *implement the IFF* and for *other innovative financing mechanisms* (such as the Tobin tax, or by taxing the trade in arms to promote peace-building and peace-keeping).

Calls were made also for aid to be used more wisely, to be channelled through African channels, and to have longer timeframes (i.e. 15-20 rather than 3-5 years). The need to build local capacity to receive aid was also mentioned.

9. (ii) Debt relief

Like HIV/AIDS, debt relief was a topic which had few recommendations in total but was mentioned by nearly every consultation. Debt cancellation, going beyond *further debt relief*, was strongly advocated, although a few consultations said it was important to avoid a blanket approach and reward those nations which had shown economic prudence in managing their affairs (and/or, for example, transforming debt into domestic investments in high-priority sectors). There was also some support behind the CFA's idea to *increase grant finance to limit [the] build up of new debt*.

9. (iii) Aid quality and delivery

The CFA suggestion that aid should be *more flexible, less conditional [and] more predictable* was backed, with similar support for reducing the dependence of countries on aid (for example against a 'recipient culture').

There were a number of suggestions of where aid should be targeted, including those that simply said it should be done better. More specific suggestions argued for the need for better integration with the local economy, or aid delivery on a needs basis; and there were proposals to direct more aid to certain groups: small business development topped the list, followed by local authorities and multinational companies. There was also support for the Millennium Development Goals, although some consultations felt that care was needed where over-ambitious targets did not reflect national circumstances.

10. Natural resources and the environment

Although left out of the CFA document, 'natural resources' had always been considered central in the CFA's thinking.

The need to recognise and work at the local level with regard to natural resources was recommended by many consultations; identifying and using indigenous knowledge was one part of this. These steps were seen as key to helping people conserve (and/or exploit) their local resources effectively.

Recommendations advocated supporting industries which produce agricultural, forestry and pastoral products; and also developing effect mechanisms to encourage businesses to be more environmentally friendly. Partnerships for sustainable resource management were recommended by some consultations, particularly applicable for watersheds (such as the Congo, Niger and Nile), for example.

A final but strong theme was around the equitable division of resources. Land tenure was an issue for some, and there were suggestions that land reform should be accelerated. 'Don't leave the poor and privilege a minority' was the message from many consultations.

11. (Actions that should be taken by) Western governments and the G8

Many consultations argued that the image of Africa in the media in Western countries needed to change, particularly in terms of increasing the understanding of ordinary people in donor countries (who tend to think, for example, of Africa as one country). Fair trade was mentioned as one way of doing this, as was business more widely.

On top of the original nine themes, this additional theme had the largest number of recommendations. In the preamble to its report, the CFA suggests *it is time for the international community to get behind African efforts... [and to] make Africa and its development a domestic issue for rich countries.*

Many consultations advocated supporting the G8 Action Plan for Africa, with appropriate monitoring mechanisms, and also to increase the capacity of the AU to absorb

resources from the G8. However, at the same time there was a call for Western governments ‘to put their own house in order’, with a perceived lack of legitimacy and accountability of the G8.

Allied to this, there was the recommendation that a ‘more mature partnership of equals’ needs to exist between African and Western states, recognising both rights and responsibilities. Better coordination of development policies was key here, particularly in terms of recognising African leadership. Related to this, there was the warning that the principle of ‘one size fits all’ does not work in Africa: the continent’s diversity needed to be acknowledged, but also existing home-grown initiatives had to be given due credit (and recognised) to avoid re-inventing the wheel.

Concluding remarks

Given the rapid rates of urbanisation of Africa, there were surprisingly few comments directly relating to this topic; those few that did recommended the need for research to better understand the phenomenon, better planning, and systems providing stronger rights of tenure. Similarly, climate change – which will be the other major topic in addition to Africa that the UK is promoting discussion around at the July 2004 G8 meeting – received remarkably little mention in the consultations.

When discussing migration and exchanges/partnerships, there was also no support for the CFA’s idea to promote *south-south networks*, and only one mention of the value of *support[ing] school* (or local authority) *partnerships* between north-south. It was also notable that within theme of ‘Promote peace and security’, there were many but few similar recommendations, possibly suggesting a lack of consensus in this theme.

Finally, although there were discernable differences in the level of support for theme between different groups of consultations (as indicated in Appendix 1), there were no obvious differences between regions, apart from a clear call in Central Africa for action on extractive industries (to curb the trade in illegal timber and/or minerals).

Appendix: The popularity of principal themes in consultations for the Commission for Africa, showing the percentage of all comments received by type of group consulted

Theme	All		e-forums		African internet		UK civil society		Regional civil society		Regional business		National dialogues		'New Thinking'		UK Diaspora	
	%	% difference	%	% difference	%	% difference	%	% difference	%	% difference	%	% difference	%	% difference	%	% difference	%	% difference
Build more effective states	13.3%	0.7	14.1%	-4.3	9.1%	-2.1	11.2%	-2.1	6.6%	-6.8	23.3%	10.0	10.9%	-2.5	13.7%	0.3	20.1%	6.8
The investment climate for growth (inc infrastructure)	11.7%	-2.3	9.4%	8.7	20.5%	-0.5	11.2%	-0.5	10.7%	-1.1	19.5%	7.8	8.7%	-3.0	7.2%	-4.5	8.9%	-2.9
Increase transparency and reduce corruption	10.8%	-3.0	7.8%	7.4	18.2%	0.4	11.2%	0.4	11.5%	0.6	15.0%	4.2	10.9%	0.0	8.6%	-2.2	7.2%	-3.6
Western governments / the G8	7.3%	n/a	0.0%	13.1	20.5%	1.1	8.4%	1.1	5.3%	-2.0	4.5%	-2.8	6.5%	0.8	15.1%	7.8	3.2%	-4.1
Promote peace and security	6.7%	2.7	9.4%	-2.1	4.5%	-2.0	4.7%	-2.0	9.8%	3.2	0.0%	n/a	8.7%	2.0	2.2%	-4.5	13.7%	7.0
Trade	5.7%	-2.6	3.1%	n/a	0.0%	-2.0	3.7%	-2.0	6.1%	0.5	10.5%	4.8	6.5%	0.8	7.2%	1.5	3.2%	-2.5
Respect Africa's culture and promote participation	5.7%	5.2	10.9%	-1.1	4.5%	0.9	6.5%	0.9	6.6%	0.9	0.0%	n/a	2.2%	-3.5	4.3%	-1.4	10.5%	4.8
Strengthen health systems	5.0%	0.7	6.3%	n/a	0.0%	1.9	7.5%	1.9	7.0%	1.4	1.5%	-4.1	4.3%	-1.2	7.9%	2.3	5.6%	0.1
Natural resources and the environment	4.8%	3.0	7.8%	n/a	0.0%	-1.1	3.7%	-1.1	7.4%	2.6	1.5%	-3.3	8.7%	3.9	2.9%	-1.9	4.8%	0.0
Aid volumes	4.3%	-1.1	3.1%	0.3	4.5%	0.4	4.7%	0.4	3.7%	-0.6	2.3%	-2.0	4.3%	0.1	10.1%	5.8	1.6%	-2.7
HIV/AIDS	4.0%	0.6	4.7%	-1.8	2.3%	-0.3	3.7%	-0.3	4.9%	0.9	3.8%	-0.3	2.2%	-1.9	4.3%	0.3	4.0%	-0.0
Migration and the diaspora	3.3%	1.4	4.7%	n/a	0.0%	-3.3	0.9%	-3.3	2.5%	-0.8	1.5%	-1.8	8.7%	5.4	2.9%	-0.4	8.1%	4.8
Investing in education	3.2%	4.6	7.8%	3.6	6.8%	0.6	3.7%	0.6	2.5%	-0.7	2.3%	-0.9	6.5%	3.3	2.9%	-0.3	0.8%	-2.4
Aid quality and delivery	3.0%	0.1	3.1%	-0.7	2.3%	2.7	5.6%	2.7	3.7%	0.7	1.5%	-1.5	0.0%	n/a	2.9%	-0.1	2.4%	-0.5
Employment	3.0%	-1.4	1.6%	n/a	0.0%	-0.2	2.8%	-0.2	1.2%	-1.7	8.3%	5.3	0.0%	n/a	2.2%	-0.8	3.2%	0.3
Other	7.7%	-1.4	6.3%	-0.8	6.8%	2.6	10.3%	2.6	10.7%	3.0	4.5%	-3.1	10.9%	3.2	5.8%	-1.9	2.6%	-5.1

Based on a total of 916 comments analysed

e-forums	ODI hosted an open electronic discussion between 15 November and 17 December 2004 in which 204 participants made 276 postings. http://www.odi.org.uk/africaconsultation/ (includes link to two other ODI consultations below)
African Internet	ODI hosted two further e-consultations with Africa research institutes and non-state actors, collating written responses from 65 institutions in July 2004 and, building on this, hosting an e-discussion with the same constituency between 16 August and 10 September.
UK civil society	The UK's NGO platform, BOND, hosted two consultation events on 4 August and 16 December 2004, attended each time by around 100 of its members.
Regional civil society	Over 500 individuals from 49 countries consulted in five open civil society consultation events (Central, East, North, Southern and West Africa respectively) between 1-16 December 2004, each lasting 2-3 days. http://www.commissionforafrica.org/ConsultationEvents/ConsultationEvents.htm
Regional business	Business roundtables were also organised in the same five regions as the civil society consultation events, between 16 September – 1 December 2004.
National dialogue	Consultations were organised in Tanzania (60 participants, 4 September 2004) and Zambia (250 participants, including 90 MPs, 30 November – 1 December 2004). These brought together representatives from all parts of society.
'New Thinking'	Between 5 July and 19 November 2004, Commissioner Geldorf organised a series of five seminars, bringing together 'thinkers and practitioners from a wide range of backgrounds' in France, Germany, Italy, the UK and the USA. http://www.commissionforafrica.org/culture/work_culture.htm
UK Diaspora	There were two events in the UK – one with 40 participants from 21-23 July 2004; the other with 59 participants on 30 November 2004. Further information and links can be found at http://www.commissionforafrica.org/getting_involved/events.htm

Additional material analysed included a VSO consultation report published in November 2004 (Based on a questionnaire that was completed by 1,772 volunteers, staff and African colleagues in 13 countries); a UK business consultation at Chatham House (on 21 October 2004); and a meeting of rural women's groups in Lagos on 17 September 2004 organised by Commissioner Adeola.

Annex 4:

The UK's policies towards Africa: a snapshot of current positions, debates, with suggestions and implications for Japan

David Sunderland³⁵

Introduction

This study is part of a wider report on *UK Aid Policies for African Development in the run-up to the 2005 G8 summit and their implications for Japan*. It considers current UK policies towards Africa for the following issues (listing suggestions and implications for Japan in each case):

- General international development policy
- Governance
- Health
- Investment Climate
- Trade
- Aid
- Debt

Methodology

During February 2005, experts in the UK international development community (particularly the Department for International Development (DFID), academics and think-tanks) were contacted for their views on UK current policy and the implications for Japan. The questionnaire used for this can be found in Appendix 1, and a list of people contacted is in Appendix 2. Typically each person was interviewed by telephone (occasionally face-to-face) for 10-15 minutes. Their remarks are unattributed in this report and it should be noted that all of them were based in the UK.

Additionally, UK government policy documents and relevant speeches and statements were consulted. These were principally from DFID but also from departments such as the Department for Trade and Industry (DTI), the Foreign and Commonwealth Office (FCO), the Ministry of Defense (MOD) and the Treasury. The UK Government's Public Service Agreement (PSA) is one of the highest level strategies which drives policy, and DFID's PSA 1 for sub-Saharan Africa is listed in Appendix 3. Equally, DFID's White Papers in 1997 and 2000 are of a similar high level and so Appendix 4 lists some of the key government pledges in the 2000 White Paper. This appendix also provides a selected list of other (principally DFID) policy papers for the issues considered in this study.

This study summarises the results of this research. It should be noted that that information presented, particularly for policy, has been summarised as best as possible but should not be viewed as word-for-word versions (nb that policies presented are numbered but that this in no way reflects their priority). This reflects what one of those people interviewed from DFID said, in that most UK policies were *guidance* and not *mandatory*; thus DFID country offices and officials had to exercise 'nuanced discretion' when interpreting them (for example in meeting the need to meet vertical targets demanded by initiatives on one hand, and respecting country-led priorities through general budget support on the other). In addition, given that around five or six people were interviewed on each issue, the report provides a snapshot but not comprehensive overview of the critiques of UK policy.

³⁵ Research Associate, Overseas Development Institute.

General Observations on UK Policy

UK policy

1. The DAC peer review of the UK (2001) indicated the following things were noteworthy about the UK:
 - a. the upgrading of the old Overseas Development Administration to DFID as a separate Department with its own Secretary of State;
 - b. the Government's two White Papers on globalisation and development;
 - c. the active promotion of development issues in international fora by the Prime Minister and the Chancellor of the Exchequer;
 - d. the establishment of inter-Departmental coordination mechanisms;
 - e. DFID's breadth of knowledge and depth of expertise
2. For policy in Africa, DFID's work draws principally on the White Papers and PSA Target 1 (see Appendix 3). PSA Target 4 (increasing the impact of key multilateral agencies in reducing poverty and effective response to conflict and humanitarian crisis) and PSA Target 5 (developing evidence-based, innovative responses to international policy) are also relevant.
3. General Budget Support (GBS) is strongly supported.
4. There are implicit and explicit commitments to support the Commission for Africa, both in the preparation of its report and in following up its recommendations.
5. Poverty reduction is DFID's central goal, related directly to the Millennium Development Goals (MDGs). DFID is committed also to tackle off-track MDGs off-track.
6. There is interest and support in working in partnerships with other donors.

Critiques/debate

A recent report by the International Development Committee (IDC 2004) identifies 'The UK's direction of travel towards policy coherence for development is good but the Government and Whitehall could move faster and further'. It identifies various positive points that have developed since the 2001 DAC Peer Review: PSA targets shared with the DTI (reducing trade barriers) and the FCO (conflict prevention); an Inter-Departmental Working Group on International Development; more specific collaboration on conflict prevention (DFID, MOD, FCO), remittances (DFID, Treasury), and trade, global health, and extractive industries (DFID, DTI). The government's response to the crisis in Darfur, Sudan, also benefited from a joint DCO-DFID Sudan Unit.

The IDC report also notes that there were codes of conduct relating to health-service recruitment from developing countries (the Department of Health's Code of Practice for NHS employees involved in the international recruitment of healthcare professionals); strategic exports and sustainable development (Criterion 8 of the EU Code of Conduct on arms exports); and the provision of finance and insurance cover for UK exports to poor countries (the Export Credit Guarantee Department's 'unproductive expenditure' rule).

Conversely, the IDC noted that the DAC Peer Review identified delays in legislation on corruption, arms exports and money laundering – which continued to be held up and watered down. Noting that the Commission for Africa had identified 'increasing transparency and reducing corruption' as a potential area for action, the IDC added 'the UK risks being rightly embarrassed when the Commission for Africa reports'.

Related to these areas, a couple of commentators found that despite the policy of untied aid, the UK's linkages with ex-colonies and financial institutions (and the current foreign policy environment) played a strong role in influencing policy, particularly in terms of trade relationships. In this sense, *The Reality of Aid* (2004) criticises the UK, suggesting that 'the 'war on terror' has affected the allocation of UK development assistance; aid has been diverted from middle-income countries to fund [Afghanistan, Pakistan and] post-war reconstruction in Iraq'.

A couple of interviewees expressed concerns about the problems caused by the reorganisation of DFID's Policy Division two years ago, principally in terms of the loss of institutional memory. One

commentator noted that in mid-2005 a reorganisation in the FCO would cut the number of policy experts working on Africa. He also noted that DFID was outsourcing its policy work more and more (for example to think-tanks and research institutions), further contributing to a loss of institutional memory and possibly creating dangerous dependencies.

For the Commission for Africa, in which the UK had invested a significant amount of 'time, resources and reputation', there was agreement that UK policy would have to follow, or at least consider in detail, its recommendations. One fear, however, was that the final Commission for Africa report would provide a long list of recommendations, but not be prioritised in any way.

The 'all or nothing' approach feared for the Commission for Africa report was also felt to be mirrored somewhat in the agenda of the Prime Minister and the Chancellor of the Exchequer (with regards to the IFF and, to a lesser extent, with regard to debt). The 'make or break' build up to the G8 was also seen as unhelpful by one commentator (given that policy dialogue will continue afterwards). In general, people interviewed felt the involvement and leadership of Tony Blair and Gordon Brown was very important (and unique, in terms of a joint force for international development with DFID), although one or two feared that it was based partly on personal competition to 'try to get their names in the history books'. One interviewee felt that this competition was no bad thing if it led to further pledges.

For GBS, Warrener (2004a) notes that 'a fundamental tension ... is that between the aim to boost government ownership of the development process and its accountability to national stakeholders, and the need for donors to be accountable to their own taxpayers on how the aid budget is spent'. Warrener also notes that over the last four years DFID has consistently channelled 17% of its bilateral aid through Direct Budget Support (particularly GBS), mostly in Africa: in other words, 'the majority of DFID's aid budget is still being disbursed through other aid challenges'. There is an ongoing internal debate within DFID on the issue. The issue of *conditionality* has also been addressed in a draft DFID paper on the subject (due to be published in early 2005), including the need for greater clarity concerning what is meant by 'ownership'. Warrener (ibid) summarises the six key elements of the current UK position.

Suggestions and implications for Japan

- Japan could learn from, and should be more closely involved in, PRSPs, harmonisation, alignment, and budget support (for the latter, Japan has started to be involved in Tanzania and Sierra Leone, which is a good start).
- Japan could also learn from other donors that have a more holistic approach to programmes. For example for peace building, focusing just on reconstruction and development – and not wider aspects – could lead to a disjunct and inefficient approach.
- The Japanese system of rotating civil servants every three years was seen to limit the development of institutional memory and a longer-term approach. Looking at the lessons from the UK's approach might provide useful insights.
- The Japanese approach to self-reliance provides a good basis to critique (the more shorter-term) UK grant-based approach, but this should not mean that present issues and concerns are overlooked.
- Japan has played a leading role in considering policy coherence in east Asia through the OECD³⁶, and perhaps could build on this and share more of the lessons it has learnt. Similarly, many interviewees felt that the lessons that Japan has learnt in its own development after World War II (and through international cooperation in east Asia) were highly relevant – yet little was known about them, and the suggestion was that they could be diffused more widely.
- Warrener (ibid) suggests that 'Japanese insights and experience in Asia are valuable inputs to the debates on the suitability of GBS for other countries and contexts [other than Africa].'

³⁶ The Policy Research Institute of the Japanese Ministry of Finance and OECD started work on *The Impact and Coherence of OECD Country Policies on Asian Developing Economies* in 2003: http://www.oecd.org/document/32/0,2340,en_2649_18532957_22585440_1_1_1_1,00.html

Governance

UK policy

1. Promoting African leadership at regional, sub-regional and country levels
2. Build conditions for development (peace and security, effective states, an environment for faster growth).³⁷
3. Build the long-term capacity of the African Union, NEPAD (particularly with regards to conflict prevention and the African Peer Review Mechanism), the Economic Commission for Africa, and the African Development Bank.
4. Institutional reform and capacity building (strengthen accountability, promote the rule of law, improve access to justice) and 'supply-side' state building
5. Encourage African governments to set out their policies more assertively, managing and aligning donors behind them, with greater state-citizen transparency and accountability.
6. Promoting democracy, human rights and anti-corruption initiatives (reserving the right to withhold aid from countries that do not meet certain 'bottom lines').
7. The 'Drivers of Change' (DoC) approach which advocates close examination and analysis of country contexts (looking at what is driving change, and how this is occurring).

Critiques/debate

Most commentators felt UK policy on governance had been good for the last few years, with one commentator remarking it was 'sensible if not overly ambitious'. State and society links had been seen to improve in DFID's approach, but it was also felt that the focus was still too much on budget effectiveness rather than human rights.

One commentator said that although continent-wide and regional institutions were important, overall there was a lack of capacity in many African countries that hampered UK policy; for example, how much space did African governments really have to develop their own policies? The problem of weak country ownership was related to this. Nevertheless, one interviewee thought that if incentives on states to comply with pan-African government grew in the future, DFID would step up its support at the regional and sub-regional level.

Much was also seen to rest on how terms of engagement with African governments develop (there are notable divisions, e.g. between 'donor darlings/orphans', 'fragile/development states', and/or 'poor/good performers'). This was related to a suggestion that there needed to be a more rigorous selection process in choosing recipient countries.

For the anti-corruption agenda, the IDC report (2004) said that other UK ministries – the Home Office, Attorney General and the Treasury – could do much more.³⁸ Additionally, one interviewee felt it was notable that the Commission for Africa's November 2004 consultation report did not mention the word 'democracy' (possibly representing an embarrassment with the situation in the Great Lakes area, vis-à-vis Rwanda and Uganda).

Warrener (2004b) analyses the DoC approach in detail, suggesting that 'although the impact of [the approach for] poverty reduction cannot yet be ascertained, positive impacts of engagement with a political economy approach are visible' and 'assumptions behind programming are being challenged; DFID is moving to collaborate with non-typical partners such as elite groups and the diaspora community' with a 'growing realisation of the need for long-term timescales'. However, 'most studies have looked at the broad context more than dynamic medium-term factors and the impact of external actors ... and country participation in DoC work has been low'. Nevertheless, 'it holds the potential for DFID and other donors to develop political awareness in-country'.

³⁷ Nb *The Africa Conflict Prevention Pool* involves ministers and officials from three government departments: the Department for International Development (DFID), the Foreign and Commonwealth Office (FCO) and the Ministry of Defence: see <http://www.mod.uk/issues/cooperation/gcpp.htm>

³⁸ See also the commentary on corruption and the ECGD in the 'Investment Climate' sector of this report.

Suggestions and implications for Japan

- In general, Japan continues to have tied and project aid, which can both hinder the ownership of African governments and policy dialogues. In this context, Japan could consider untying its aid and developing a more programmatic approach.
- There is apparently no interlocutor in JICA who is responsible for governance issues in Africa, which may reflect a lack of investment in this area. Nevertheless, this might be an area where Japan's involvement could be helpful to move to common policy positions with other donors as part of the harmonisation and alignment agenda. In any case, any such dialogue would need to be gradual and not 'on-off'.
- Japan has given large amounts of aid without governance assessments; if Japan developed these, they could possibly learn from DFID's experience here, as well as the Drivers for Change initiative.

Health

UK policy

1. Strengthening health systems, wherever possible through GBS.
2. HIV/AIDS is a special priority, as one of the off-track MDGs. This includes support for the 2004 UK HIV/AIDS 'Taking Action' Strategy,³⁹ country HIV/AIDS programmes, and UNAIDS' 'Three ones.'⁴⁰
3. Supporting measures to fight malaria and tuberculosis.
4. Reducing maternal and child mortality through expenditure in reproductive and sexual health.
5. Considering the barriers of access to services (note that a new policy team on Service Delivery has been created recently to consider this).
6. Supporting clean water and sanitation initiatives.

Critiques/debate

The UK was seen as one of the leading bilateral donors in this area, balancing well the inherent tension between running sector support/health systems programmes on one hand, and supporting projects/programmes to control diseases on the other (although it was recognised that aid delivery for health would result in very little if there was weak state capacity).

A key issue remained donor coordination and the effectiveness of global initiatives and funds. The future development of these was important, and one commentator speculated that they might take over bilateral funding. Questions were raised, for example, by the recent interventions of the Bill and Melinda Gates Foundation, on the extent to which initiatives are overly focused on short-term quantitative outputs rather than long-term harder to measure results. African countries face particular problems when dealing with the numerous global initiatives, for example in ensuring there is no duplication. There are also questions of where accountability lies for the initiatives.

Related to this issue was the extent to which aid was delivered through non-governmental channels (e.g. through franchising NGOs or local drug sellers). One interviewer felt more research evidence was needed here.

Since the reorganisation of DFID's Policy Division two years ago, one commentator felt DFID's work had become more disconnected: there were fewer contacts, fewer close links, a higher turnover of staff, and a reduced institutional memory.

Suggestions and implications for Japan

³⁹ <http://www.dfid.gov.uk/Pubs/files/HIVAIDStakingactionssummary.pdf>

⁴⁰ 'One agreed HIV/AIDS Action Framework that provides the basis for coordinating the work of all partners; One National AIDS Coordinating Authority, with a broad-based multisectoral mandate; and One agreed country-level Monitoring and Evaluation System.': <http://www.unaids.org/en/about+unaids/what+is+unaids/unaids+at+country+level/the+three+ones.asp>

- Japan could build on its previous work with infrastructure and pharmaceuticals, particularly if these were country-led. It was felt however that there was still a need for Japan to pay more attention to health systems (particularly in terms of developing human resources).
- Japan was a key funder in GAVI, but country of origin rules and tied funding had led to gaps and hold-ups in programmes (for example the US, but not Japan, had been able to provide solar fridges in Sierra Leone).
- Japan could make more use of appropriate technology.
- One commentator felt Japan's philosophy rested too much on the neo-liberal trickle-down model. This was important, but there was a need for social justice thinking as well.

Investment Climate

UK policy

1. Improving understanding of (a) what constitutes a good investment climate and (b) how to bring this about.
2. Promoting co-ordinated donor investment in pro-poor infrastructure investments which are embedded in national plans and budgets.
3. Recognising the importance of the policy, legal and regulatory environment for businesses – particularly small- and medium-sized enterprises (SMEs).
4. DFID policy is particularly close to the suggestions in the 2005 World Development Report, *A Better Investment Climate for Everyone*.⁴¹ The 'four basics' outlined in this report were seen as fundamental: (i) Stability and security; (ii) Regulation and taxation; (iii) Finance and infrastructure; (iv) Workers and labour markets.
5. Through Capital for Development (CDC)⁴²: (i) to maximise the creation and long-term growth of commercially viable private sector businesses in the poorer countries of the world; and (ii) to mobilise third party funds into these countries, important for their economic progress, by demonstrating the ability to create successful ventures.
6. The main scheme of the Export Credits Guarantee Department (ECGD)⁴³ provides guarantees against political risks for UK exports; since the early 1970s, there has been a scheme to promote overseas investment.
7. Support the Extractive Industries Transparency Initiative (EITI).⁴⁴

Critiques/debate

For the CDC and ECGD, one commentator was critical particularly of the CDC for having no impact criteria (with the implicit assumption that anything invested was good). Although he found the ECGD dealt with payment risks, this was done in terms of negative impacts. Both the CDC and ECGD did not consider the positive development impact of their investments (focusing on minimising risks rather than maximising benefits). In short, the alignment of investment and development were not considered together, unlike, for example, in a PRSP.

It should be noted that a legal challenge against the UK government in November 2004⁴⁵ identified that the ECGD had weakened its rules aimed at reducing corruption through providing preferential treatment for British companies. Separately, several commentators noted the general link between corruption and infrastructural problems.

⁴¹ <http://econ.worldbank.org/wdr/wdr2005/>

⁴² Formerly the Commonwealth Development Corporation. CDC is partly privatised with DFID as the sole stakeholder with a loan of £755 million. See <http://www.cdcgroup.com/> and te Velde (2003), who notes that a quarter of CDC's portfolio in July 2002 was in Africa.

⁴³ The ECGD is a separate department reporting to the Department of Trade and Industry. See <http://www.ecgd.gov.uk/>

⁴⁴ The EITI was launched by Tony Blair at the World Summit on Sustainable Development (WSSD) in Johannesburg in September 2002. It is a multi-stakeholder partnership of oil and mining companies, northern and developing country governments and NGOs. It calls for greater transparency over the revenue payments made to host developing country governments by international oil, mining and gas companies.

⁴⁵ The government settled out of court with *The Corner House*, a British NGO, on 13 January 2005 and agreed to instigate a full public consultation on its changes to its anti-corruption rules.

One interviewee praised the UK's pioneering work with the EITI (citing the particularly important role in Nigeria this had had) but felt there was a lot more work to be done on cleaning up natural resource revenue flows. He felt it was time for African governments to lead on the issue. The same interviewee felt that the UK government could do more to encourage UK-based oil companies working in African countries to forgo some short-term profits to bear more of the price risk in investments; typically this fell on African governments that were much less able to deal with it.

Several people consulted felt the US African Growth and Opportunity Act (AGOA)⁴⁶ had been a success and a model that the UK (and other G8 nations) could follow.

Suggestions and implications for Japan

- It was felt Japan's particular expertise in developing infrastructure (e.g. in telecommunications and power), particularly in Asia, could be relevant in Africa.
- The UK abolished its Aid and Trade Provision (ATP) in 1997 when it was untying its aid, but one commentator felt Japan should retain and scale up its own ATP provision, using it judiciously to underwrite high-risk investments and link its development budget to private sector development.
- One interviewee noted that the standards for the International Finance Corporation (IFC) of the World Bank were being reviewed, to which Japan should pay special attention.
- During the negotiations around the Multilateral Agreement on Investment (MAI), which was ultimately rejected by the WTO, Japan played an active role in the process and discussions. One commentator praised this involvement but noted that Japan's current involvement in investment policy discussions was less active, and so encouraged the country to play an increased role.
- Although Japanese investment was mainly focused on Asia, one commentator felt it should increase its interest in Africa as more and more of its long-term natural resource needs are likely to come from the continent.

Trade

UK policy

1. Internationally, a focus on trade reform to reduce subsidies, tariff and non-tariff barriers that constrain opportunities for export.
2. To ensure the Doha Development Round delivers for development with more flexible rules of origin and improved preferential access for Africa.
3. Within the NEPAD framework, to support the provision of regional public goods (e.g. promote regional trade and integration).
4. At the Africa regional / sub-regional level, work to promote the negotiation of EU Economic Partnership Agreements (EPAs) that take account of African institutions and needs.
5. At the country level (and relating to the investment climate), to encourage the trend of giving higher profile to economic growth in country-owned poverty reduction strategies; to recognise agriculture as key to pro-poor growth; to promote co-ordinated donor investment in pro-poor infrastructure; and to recognise the importance of the policy, legal and regulatory environment for business.

Critiques/debate

DFID's trade policy was seen as being significantly marked by its colonial history, with problems dating back to the origins of the European Union. The UK was also seen to be strongly influenced by policies coming from the IMF and World Bank (e.g. for raw materials and enclave investment).

Commentators agreed that 'one-size fits all' liberalism was inappropriate. The final position between DFID and the Department for Trade and Industry has not emerged yet, but the UK has adopted a softer

⁴⁶ <http://www.agoa.gov>

tone on the need for reciprocity in the EPAs, recognising the need to have capacity building with liberalisation. There was support for the proposal to loosen the rules of origin.

Nevertheless, almost all of the commentators noted that the UK's policy aspirations were severely constrained by (more accurately, being subsumed under) the trade policy of the EU, all the more so since the enlargement of the EU. For example, it was suggested that the UK's policy demanding substantial changes vis-à-vis the Doha round would be limited by a more cautious EU approach. Additionally, it was felt that the UK's aspirations to discriminate in favour of developing countries (for example in EPAs and through the Cotonou agreement) would be thwarted in the future.

A separate point about EPAs was that EU Trade Commissioner Peter Mandelson had said that the only group lobbying on development issues within them was NGOs (i.e. he had received no commentaries in this area from businesses).

One commentator felt that since Clare Short had stepped down as Minister, DFID had not challenged other UK departments (for example the DTI, the Department of Food and Rural Affairs, and the Foreign Office) on their development coherency.

Even during the tenure of Clare Short, in 2002 a case receiving a high media profile considered how current trade rules clash with development for relations between the UK and Tanzania. At the time, within WTO rules, the UK government (through the ECGD) was able to subsidise the sale of a military air traffic control system, widely seen to be unnecessary, to Tanzania (worth £28 million). At the same time, it was forbidden for Tanzania, one of the poorest countries in the world, to subsidise and protect its own domestic food industry.

AGOA was again mentioned as a positive initiative, with one commentator suggesting it had helped to develop the South African clothing industry far more than the Cotonou agreement. The USA's Overseas Private Investment Corporation (OPIC) was also cited; in effect, the USA was seen to have more business linkages in the continent and thus play a more significant role driving the agenda.

Yet, in summary, commentators felt that Africa was not generally considered in terms of trade (having, for example, a market the equivalent of Mexico), and that British policy was unlikely to have a significant effect.

Suggestions and implications for Japan

- One interviewee advised that Japan should develop its agenda on the basis that there will be minimal changes in European policies, particularly in agriculture.
- It was felt Japan could constructively share its experience of trade in east Asia, relevant to trade in Africa today.
- Another interviewee felt Japan had an opportunity to develop closer trade partnerships, perhaps through their GSP, with those countries that are not LDCs (e.g. Ghana and Kenya) which did not have preferential access to the Everything But Arms (EBA) initiative.

Aid

UK policy

1. Increasing aid (Gordon Brown had spoken of 'doubling development aid to halve poverty.'⁴⁷)
2. Developing a new funding vehicle: the International Finance Facility (IFF)
3. Improving multilateral aid effectiveness.

⁴⁷ e.g. Speech at DFID/UNDP seminar 'Words into Action in 2005' at Lancaster House, London, on 26 January 2005: http://www.labour.org.uk/ac2004news?ux_news_id=wordsintoaction

Critiques/debate

Warrener et al (2005) summarises the concerns in the UK about the government's plans to 'double aid to halve poverty' in five key points:

Absorptive capacity: 'there is clear evidence of diminishing marginal returns to aid as aid levels increase in proportion of national GNP' – in terms of the quality of institutions, policy making, and administrative capacity.

Aid effectiveness: concern that 'the current focus on aid *quantity* will detract from ... *quality*'; there may be 'poorer decisions by donors on appropriate balances of aid modalities' and 'Long-term coordinated commitments of current levels of aid are therefore arguably more important than increasing aid.'

Accountability, ownership and dependence: Dependency was likely to increase, 'accountability to donors will take precedence over accountability to national stakeholders' and 'ownerships will be severely undermined'. There is also the question of 'whether the countries concerned have actually been consulted'.

Aid and growth: 'The link of aid to domestically-driven growth is still poorly understood' and 'growth promotion is arguably more important than aid-driven social sector spending for long-term poverty reduction'. Changes in the global trade regime and towards debt cancellation may become sidelined and, ultimately, 'redistribution of current wealth in a sustainable manner' may be the most important approach.

Aid and governance: The achievement of the MDGs are considered in Sachs report,⁴⁸ although the categorisation of (and suggestions for assessing) countries are felt to be simplistic. There was the implicit suggestion that governance can be increased quickly (after which aid flows can be swiftly increased), despite evidence to the contrary. In conclusion, working with the Drivers of Change initiative (see Warrener 2004b) and more detailed governance assessment mechanisms were considered necessary before making large increases in aid.

Additionally, Warrener et al (2005) note that 'if the current political momentum leads to increased aid resources that are not translated into clear results, failure on this scale is likely to promote a strong backlash against initiatives for international development'.

The International Finance Facility (IFF) is considered in detail in another report (see Rogerson report in Annex) although several people interviewed commented on it. In general there was support for the idea, although concerns that the mobilisation of large sums of money would entail complex processes and governance. One commentator was very critical of the IFF, seeing it reflecting a paternalistic, anglo-saxon and charitable perspective which was too short-term in its outlook, too open to being changed by shifting obligations, and too closely related to the City financial institutions (who would stand to make a tidy profit from it). Nevertheless, it was felt that it would probably happen, but be smaller than the UK imagines.

Suggestions and implications for Japan

- One interviewee noted that Japan had taken initial steps to join the new aid modalities groups (re SWAps and GBS) with support in Senegal and Tanzania. He felt that Japan should not become full advocates of the approach but – under the right conditions, with appropriate monitoring and evaluation – they could develop the approach in a gradual way while continuing to measure its effectiveness.
- Japan was generally criticised for not signing up to the IFF.
- Commentators encouraged Japan to show more flexibility in their approach to aid. One interviewee felt that if Japan was inflexible, there could be the danger that their record as a generous donor could be clouded by civil society campaigns developing against them.
- Finally, there was the suggestion that Japan could consider appointing other donors to act as agents to manage their aid in a pool.

⁴⁸ Millennium Project (2005): Investing in Development: A Practical Plan to Achieve the Millennium Development Goals. <http://unmp.forumone.com/>

Debt

UK policy

1. To develop the deepest and broadest bilateral and multilateral debt relief possible.
2. To promote debt relief on the basis of development financing, freeing up resources for achievement of the MDGs, not simply to reach 'debt sustainability'.
3. Since 1999, the UK has written off 100% of bilateral debt to post Completion Point HIPC's, with all monies paid since Dec 2000 by post Decision Point HIPC's held in trust and returned to the country upon Completion. The UK has also written off the vast majority of the poorest Commonwealth countries' bilateral debt to the UK.
4. Since 1 January 2005, the UK has also implemented a multilateral debt relief initiative, paying its share (10% – the UK's share of IDA 13) of the poorest countries' (post Completion Point HIPC's and IDA-only, low income PRSC countries) debt service to IDA and the African Development Fund. Canada has joined this scheme and will pay an additional 4% of these countries debt service. Lobbying continues to encourage other donors to participate.

Critiques/debate

It was felt that the UK would always be limited by the positions of other G8 members (At the time of writing, Japan and the US were those countries strongly opposing the UK's multilateral debt relief initiative. (nb. It is not unilateral – Canada in the G7 has already joined the initiative and others are expected to join soon).

Commentators felt debt relief was seen as a good thing in general, and UK's leading role here was praised, although there were some reservations about giving too much debt relief to some countries (e.g. Nigeria).

There were concerns that increasing levels of UK aid would be at the expense of, and in the form of, debt relief.

One interviewee raised the question of whether the impact of debt relief on multilateral agencies has been fully thought through, as many were dependent on funding from return flows of past loans. He had concerns about the IDA becoming grant-based, and scaled down, which related closely to this. (Comment – David – this interviewee is not correct and statement is wrong. They seem to have mistaken the UK-led proposal for the American proposal also on the table at the moment. The whole point of the UK-led scheme is that it offers full compensation for the debt service to the IFIs involved, so there is no loss of reflows. It is the American proposal, that we do not agree with, that would write off debts against future IFI allocations, thereby eroding their resources and ability to re-lend. Yes, IDA (and also other RDB concessional lending will contain an element of grants – we have argued to limit this to be needs-driven and justifiable, and compensate the IFIs for this. Beware – it was the Americans that pushed for higher proportions of grants in IDA and AsDF etc, and in the case of AsDF and maybe also the others (I'm not sure), the Japanese supported them and agreed to the grants elements, as did other donors.

Suggestions and implications for Japan

- Most interviewees felt Japan would be isolated (possibly along with the USA) in the G8 if they did not support the UK proposals;
- One contributor noted that currently Japan only agreed to the point of sustainability in its loans, with future borrowing being based on concessional terms. They viewed Japanese mechanism for debt relief, involving a system where the indebted country has to pay off the debt before receiving a grant six months later, as inefficient and difficult to implement.
- Conversely, another commentator suggested that Japan should be wary of the British position, seeing it as being overly driven by the political agenda. (As above – the Multilateral debt Relief Initiative is a 10 year scheme (at minimum) and has at least one G7 member signed up already, and more probably to follow – it is not just 'political'!

Bibliography

- International Development Committee (IDC) of the House of Commons (2004), *The Commission for Africa and Policy Coherence for Development: First do no harm*, First Report of Session 2004-05, HC123, London: The Stationery Office Limited.
<http://www.publications.parliament.uk/pa/cm200405/cmselect/cmintdev/123/123.pdf>
- Reality of Aid (2004), *The Reality of Aid 2004*, Reality of Aid: Manila.
<http://www.realityofaid.org/roa2004/2004report.htm>
- te Velde, D.W. (2003), *Home Country Measures and Foreign Direct Investment in Developing Countries: Identification, trends and breakdown of UK HCMS*, ODI: London
- Warrener, D. (2004a), *Synthesis Paper 4: Current thinking in the UK on General Budget Support*, ODI: London. http://www.odi.org.uk/RAPID/UK_Japan/docs/Synth_4.pdf
- Warrener, D. (2004b), *Synthesis Paper 3: The Drivers of Change Approach*, ODI: London. http://www.odi.org.uk/RAPID/UK_Japan/docs/Synthesis_3_final.pdf
- Warrener, D., Perkin, E. and Court, J. (2005), *Synthesis Paper 5: The 'double aid to halve poverty' agenda: concerns from the UK*, ODI: London.

ODI questionnaire: UK policy positions in Africa

ODI is undertaking research for JICA (Japanese International Cooperation Agency) to obtain an overview, and experts' opinions, of UK policy positions in Africa⁴⁹. The study is contacting the UK development community – particularly DFID, the Commission for Africa, academics and think-tanks – and is focusing on the following six key issues: governance, health, investment climate, trade, aid and debt.

For each issue

1. What is your experience in relation to this issue?
2. What do you think about the current UK policy positions?
3. How do you think these policy positions are going to develop?
4. What do you think the implications of these policy developments are for Japan?
5. Is there anything you would like to add?

⁴⁹ Similar studies are being undertaken in France, Germany, and the EU. These are part of wider JICA-commissioned research. Additional studies are looking at the historical changes in the UK's approach to Africa, the results of the UK Commission for Africa's consultations, and the International Finance Facility.

List of people interviewed or who completed to the questionnaire

Chris Alden	Senior Lecturer, International Relations Department	London School of Economics and Political Science
David Booth	Research Fellow	Overseas Development Institute
Emily Bosch	Africa Policy Division	Department for International Development
Oliver Buston		DATA
Paul Collier	Director	Centre for the Study of African Economies
Julius Court	Research Fellow	Overseas Development Institute
Ian Gillson	Research Fellow	Overseas Development Institute
Jeanelle de Gruchy	Public Health Advisor, Africa Policy Department	Department for International Development
Alan Hudson	Committee Specialist	International Development Committee
Adaora Ikenze	Political Adviser for Africa	Commonwealth Secretariat
Penny Jackson	Clerk	All Party Parliamentary Group on Africa
Nicola Jenns	Debt Team	Department for International Development
Regina Keith	Senior Health Adviser	Save the Children
Tony Killick	Senior Research Associate	Overseas Development Institute
Kenneth King	Director	Centre for African Studies, Edinburgh University
Nambusi Kyegombe	Research Officer	Overseas Development Institute
Simon Maxwell	Director	Overseas Development Insitute
Anne Mills	Professor of Health Economics and Policy	London School of Hygiene & Tropical Medicine
Roger Nellis	Head, Investment, Competition and Enabling Environment Team	Department for International Development
Machiko Nissankye	Professor of Economics	School of Oriental and African Studies
Sheila Page	Research Fellow	Overseas Development Institute
Paolo de Renzio	Research Fellow	Overseas Development Institute
John Roberts	Research Fellow	Overseas Development Institute
Andrew Rogerson	Research Fellow	Overseas Development Institute
Chris Stevens	Research Fellow	Institute for Development Studies, Sussex University
Graham Teskey	Head of Policy, Africa Department	Department for International Development
Alex Vines	Head of Africa Programme	Royal Institute of International Affairs
Gill Walt	Professor of International Health Policy	London School of Hygiene & Tropical Medicine
Michael Warner	Research Fellow	Overseas Development Institute
Tim Williamson	Senior Governance Advisor, Africa Department	Department for International Development

UK Public Service Agreement Target 1 (Progress towards the Millennium Development Goals in 16 key countries in Africa)

DFID's Africa Director leads on delivery of **PSA Target 1** – progress towards the Millennium Development Goals in 16 key countries in Africa⁵⁰. The current PSA (2003-6) covers eight sub-targets⁵¹:

- a sustainable reduction in the proportion of people living in **poverty** from 48% across the entire region;
- an increase in **primary school enrolment** from 58% to 72%;
- an increase in the **ratio of girls to boys** enrolled in primary school from 89% to 96%;
- a reduction in **under-5 mortality** rates for girls and boys from 158 per 1000 live births to 139 per 1000;
- an increase in the proportion of **births assisted** by skilled birth attendants from 49% to 67%;
- a reduction in the proportion of 15-24 year old pregnant women with **HIV** from 16%;
- improved effectiveness of the UK contribution to **conflict** prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict where the UK can make a significant contribution (joint target with FCO and MOD);
- effective implementation of the **G8 Action Plan for Africa** in support of enhanced partnership at the regional and country level.

These PSA sub-targets were mainly been rolled forward (with the exception of conflict which is now covered under one global PSA 5) in the new PSA (2005-8).

In the new PSA, to reduce problems caused by fluctuating baselines, targets were described in terms of percentage change rather than absolute achievement. There are the following sub-targets⁵²:

- a reduction of 4 percentage points in the proportion of people living in **poverty** across the entire region against the 1999 baseline;
- an increase in **primary school enrolment** by 18 percentage points against the 2000 baseline;
- an increase in the **ratio of girls to boys** enrolled in primary school by 5 percentage points against the 2000 baseline;
- a reduction in **under-5 mortality** rates for girls and boys by 8 per 1000 live births against the 2000 baseline;
- an increase in the proportion of **births assisted** by skilled birth attendants by 11 percentage points against the 2000 baseline;
- a reduction in the proportion of 15-24 year old pregnant women with **HIV**;
- enhanced partnership at the country and regional level, especially through the G8, to increase the **effectiveness of aid** and ensure that international policies support African development.

⁵⁰ PSA countries are Ethiopia, Democratic Republic of Congo, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, South Africa, Lesotho, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

⁵¹ All PSA targets are for 2006 measured against a 2000 baseline.

⁵² PSA target 1 refers to the region as a whole and data is available from the World Bank at 3-yearly intervals from 1990. This explains the 1999 (rather than 2000) baseline.

Other key policy papers

DFID White paper 2000: <http://www.dfid.gov.uk/pubs/files/whitepaper2000.pdf>

'KEY POLICY COMMITMENTS' LISTED IN THE WHITE PAPER 2000
(selection according to the issues addressed in this report):

THE CHALLENGE OF GLOBALISATION

The UK Government will:

- Work with others to manage globalisation so that poverty is systematically reduced and the International Development Targets achieved.
- Promote economic growth that is equitable and environmentally sustainable.

PROMOTING EFFECTIVE GOVERNMENTS AND EFFICIENT MARKETS (Governance)

The UK Government will:

- Help developing countries build the effective government systems needed to reform their economic management, make markets work for poor people, and meet the challenge of globalisation.
- Work to reduce corruption, and ensure respect for human rights and a greater voice for poor people.
- Work with others to reduce violent conflict, including through tighter control over the arms trade.

INVESTING IN PEOPLE, SHARING SKILLS AND KNOWLEDGE (Health)

The UK Government will:

- Promote better health and education for poor people, and harness the new information and communications technologies to share skills and knowledge with developing countries.
- Help focus more of the UK and global research effort on the needs of the poor, and make intellectual property regimes work better for poor people.

HARNESSING PRIVATE FINANCE (Investment climate)

The UK Government will:

- Work with developing countries to put in place policies that will attract private financial flows and minimise the risk of capital flight.
- Work to strengthen the global financial system to manage the risks associated with the scale, speed and volatility of global financial flows, including through use of 'road maps' to guide countries on opening of their capital accounts.
- Encourage international co-operation on investment, competition and tax that promotes the interests of developing countries.
- Encourage corporate social responsibility by national and transnational companies, and more investment by them in developing countries.

CAPTURING GAINS FROM TRADE

The UK Government will:

- Support an open and rules-based international trading system, and work to promote equitable trade rules and an effective voice for developing countries.
- Support continuing reductions in barriers to trade, both in developed and developing countries, and work to improve the capacity of developing countries to take advantage of new trade opportunities.

TACKLING GLOBAL ENVIRONMENTAL PROBLEMS

The UK Government will:

- Work to reduce the contribution made by developed countries to global environmental degradation.
- Work with developing countries to ensure that their poverty reduction strategies reflect the need to manage environmental resources sustainably, and strengthen their capacity to participate in international negotiations.

USING DEVELOPMENT ASSISTANCE MORE EFFECTIVELY (Aid, Debt)

The UK Government will:

- Increase its development assistance to 0.33% as a proportion of GNP by 2003/04, and continue to make progress towards the 0.7% UN target.
- Work to increase the proportion of global development assistance spent in poor countries, help to improve its effectiveness and to reduce the burdens placed on recipient countries, end UK tied aid and work for multilateral untying.
- Introduce a new Development Bill to replace the outdated Overseas Development and Co-operation Act (1980), to consolidate our poverty focused approach to development.
- Provide faster and more substantial debt relief for heavily indebted poor countries that are committed to poverty reduction.

STRENGTHENING THE INTERNATIONAL SYSTEM

The UK Government will:

- Work with others to build a stronger, more open and accountable international system, in which poor people and countries have a more effective voice.

More detailed policy pledges are provided in each of the chapters.

Also note:

Halving world poverty by 2015 economic growth, equity and security (Target strategy paper 2000)
<http://www.dfid.gov.uk/pubs/files/tspeconomic.pdf>

Links to a selection of policy papers related to the six issues (DFID unless stated):

GOVERNANCE

Making government work for poor people: building state capacity (Target Strategy Paper on Governance, 2001) <http://www.dfid.gov.uk/pubs/files/tspgovernment.pdf>

Why we need to work more effectively in fragile states (January 2005)
<http://www.dfid.gov.uk/pubs/files/fragilestates-paper.pdf>

HEALTH

Target Strategy Paper on Health (2000) <http://www.dfid.gov.uk/pubs/files/tsphealth.pdf>

Increasing access to essential medicines in the developing world: UK Government policy and plans (June 2004) <http://www.dfid.gov.uk/pubs/files/accessmedicines.pdf>

Sexual and reproductive health and rights: A position paper (July 2004)
<http://www.dfid.gov.uk/pubs/files/sexualreprohealthrights.pdf>

Taking Action: The UK's Strategy for Tackling HIV/AIDS in the developing world (July 2004, with FCO)
<http://www.dfid.gov.uk/Pubs/files/HIVAIDStakingactionssummary.pdf>

INVESTMENT CLIMATE

Financial Sector Development: A pre-requisite for Growth and Poverty Reduction? (June 2004)
<http://www.dfid.gov.uk/pubs/files/fsdbriefingnote.pdf>

TRADE

Draft Strategy Paper 2005-2007: Increasing the impact of DFID's work on trade (October 2004)
<http://www.dfid.gov.uk/pubs/files/draftstrategy-increasing-impact-on-trade.pdf>

The World Trade Organisation and developing countries: background briefing note (June 2001)
<http://www.dfid.gov.uk/pubs/files/bbp1.pdf>

Making globalisation a force for good (DTI White Paper, July 2004)
<http://www.dti.gov.uk/ewt/whitepaper.htm>

AID

Partnerships for poverty reduction: changing aid 'conditionality' (draft policy paper September 2004 with the Treasury) <http://www.dfid.gov.uk/pubs/files/conditionalitychange.pdf>

Poverty Reduction Budget Support: DFID policy paper, May 2004
<http://www.dfid.gov.uk/pubs/files/prbspaper.pdf>

Also note Institutional Strategy Papers (ISPs) with the European Investment Bank, UNDP, the UN, and the World Bank

DEBT

Debt factsheet 2004 <http://www.dfid.gov.uk/pubs/files/debt-factsheet.pdf>

Debt relief for Poverty reduction (briefing paper: February 2004)
<http://www.dfid.gov.uk/pubs/files/povreductiondebtreliefbrief.pdf>

Statement on UK proposals for multilateral debt relief (January 2005)
<http://www.dfid.gov.uk/mdg/debt-ukmultidebtinitiative.asp>

Foreign and Commonwealth Office

<http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1017048844090>

Mission Statement on Africa

‘The Foreign and Commonwealth Office will promote good governance and economic development throughout Africa, and work to prevent conflict, with the goals of peace, stability and an improved quality of life for Africa's people.’

‘With our 33 diplomatic missions in Africa, we work:

- With African governments on regional and international issues;
- To explain British policies and viewpoints to African governments and their publics;
- To support Africans in and outside government in developing democracy and respect for human rights;
- With African countries, to improve their security so that their economies can flourish;
- With African governments and other relevant organisations to promote sound economic policies and to improve the living standards of their people;
- To promote British goods and services and enhance trade with Africa;
- To provide advice and help in African countries to British nationals;
- To issue visas to people from African countries who wish to come to Britain.

[The internet] pages contain further information about UK policy on Africa and the New Partnership for Africa's Development (NEPAD). They detail how the UK and France work together in delivering their policy on Africa; the UK's attempts to restore peace in Sierra Leone and the UK approach to land reform in Zimbabwe.’

Annex 5: The French perspective on UK aid policies for African development in the run-up to the 2005 G8 Summit and their implications for Japan

Vincent Géronimi

Introduction

There has been a real convergence between French and UK cooperation objectives and main tools towards Africa since the 90's. However, relationships between France and Africa are the product of a specific history which explains its special importance in diplomatic and cooperation relationships of France.

This contribution explains first the historical and institutional background of the French cooperation with Africa.

In a second part we analyse more in depth the position of France cooperation in six areas:⁵³

- Governance
- Health
- Investment Climate
- Trade
- Aid
- Debt

Historical and institutional background

The 90's has been the end of most of the so-called 'relations spéciales' between France and Africa. Thus, the integration of France cooperation inside the multilateral system has increased very significantly.

However, French aid delivery institutional architecture –as a product of history- remains specific. As illustrated in the diagram n°1 the French institutional system of cooperation is mainly a duopole between the Ministry of Foreign Affairs (MFA) and the Ministry of Economy and Finance (MINEFI, with the AFD). The merging of the Ministry of cooperation within the Ministry of Foreign Affairs (with the creation of the Direction Générale de la Coopération Internationale et du Développement (DGCID)) in 1999 has been the climax of a political competition between MFA and Ministry of Economy and Finance. It is a perfect illustration of the main driving forces behind French cooperation changes.

The question of merging the two ministries of Foreign Affairs and Cooperation is an old one⁵⁴. The existence of an independent ministry of Cooperation was justified by the peculiarities of the relationships between France and its former colonies, mainly in sub-Saharan Africa. As such it has been analysed as a survival of the de Gaulle approach of French international relationships with former colonies⁵⁵. The importance of the 'cellule africaine', directly connected to the presidency, is very illustrative of these 'relations spéciales' between France and Africa. This 'cellule africaine' has lost importance since the beginning of the 90s.

⁵³ We draw upon informal and formal analysis inside cooperation and research institutions, focusing mainly on the reactions to CFA proposals.

⁵⁴ In 1981, with the nomination of Jean-Pierre Cot at the head of the MFA, the question of merging the two ministries will be officially held for the first time.

⁵⁵ Cf. D. Bourmaud : Personification of relationships, derogations, ...

The ministry of Cooperation was due to organize cooperation and diplomatic relationship with these 'pays du champs'. Consequently, the MFA was merely out of the sub-Saharan Africa area. However it developed a cooperation policy for Maghreb, leading to a double technical cooperation situation (MFA and Cooperation) inside these countries...

The story of the merging is illustrative of the progressively vanishing peculiarity of the relationships (The so-called 'relations spéciales') between France and Africa.

At the international meeting of *La Baule in 1990* a democratic 'quasi conditionality' was imposed on countries willing to benefit from the French ODA. This first attenuation of the peculiarity of Franco-African relationships, was followed by the '*doctrine Balladur*' at *Abidjan in 1993*, conditioning financial supports to the existence of a prior agreement with the IMF.

The 1994 devaluation of the FCFA is a perfect illustration of the return to the principle of economic reality: the Zone Franc is too expansive to be supported only by French authorities in the long run. Since then, Cooperation between France and Africa lost a large part of its peculiarities, at least in the economic and financial dimensions.

When Lionel Jospin becomes Prime Minister (1997), he is strongly opposed to the maintenance of those « relations spéciales ». As a consequence in six months the merger of the ministry of cooperation in the MFA (as a general department; DGCID) is decided. In January 1998 the decision is taken.

The actual position of the French cooperation concerning Africa (sub-Saharan Africa) is the result of this history. After the main reforms of the late 90's, two main operators remain:

- Ministry of Foreign Affairs (MFA, 17% of French total ODA disbursements, Direction Générale de la Coopération Internationale et du Développement ; DGCID)
- Ministry of Economy and Finance (MINEFI, with AFD⁵⁶, 28% of French total ODA disbursements)

Since then, with the 'victory' of the MFA, the role and power of the DGCID as a cooperation institution has been declining steadily, with the AFD increasing symmetrically its power. There has been a general redistribution of the respective importance of these institutions.

Following this movement, the AFD is becoming the main operator of the French cooperation, with the MFA (via the DGCID) losing its prerogative in the development field (more diplomatic (influence) than development (cooperation)). In this dynamic, the MINEFI is gaining importance as the main steering institution for AFD operations. Since 1999, the CICID (Comité Interministériel de la Coopération Internationale et du Développement) has been working as an inter ministerial institution, in charge of the coordination of cooperation policy.

As a consequence, the Sub-Saharan Africa share in the total of French bilateral ODA has decreased sharply between 1991 and 2002 (From 55,4% to 26,8%). In line with this evolution, the share of Least Developed Countries (LDCs) has also dropped to 36,4% on average in 2000-2001 from a level of 42,2% in 1991. While French ODA remains higher for LDCs than the DAC average (36,4% against 32,7% for 2000-2001), it is lower than the EU member average of 38,9% for those years.

The share of France in total ODA to Sub-Saharan Africa has steadily declined on the same period. US ODA share in total ODA to Africa is now higher than France's share. Japan reached in 2001 a level equivalent at France's share.

⁵⁶ AFD is mainly under the steering power of MINEFI. The remaining of the French ODA disbursements is distributed through other ministries (research, education,...21%), and by financing European Union (mainly EDF, 31%).

Beneath these changes a general shift in the cooperation is on progress. The end of the 'pré carré' is more than the simple extension of the traditional area of French intervention in the field of development out of Africa (through the definition of the ZSP, box n°1). It is a result of the logical movement towards more integration of the French cooperation objectives and tools inside the international perspective.

However, since 2002, Chirac presidency has put a renewed emphasis on Africa. Following its declaration, French ODA is one of the 5 priorities of its mandate. At the Monterrey conference he took the engagement of an ODA of 0,5% of GNP in 2007, as an intermediary target on the road to the 0,7% objective in 2015.

Table 1: Evolution of France, Japan and US share in Sub-Saharan total ODA (1995-2001)
(millions of Dollars and %)

	1995		1998		2001	
	\$ millions	%	\$ millions	%	\$ millions	%
Total ODA to SSA	18420	-	13900	-	13530	-
Total French ODA to SSA	2700	14.6	1520	11	944	7
Total Japan ODA to SSA	1352	7.3	948	6.8	850	6.3
Total US ODA to SSA	1050	5.7	713	5	1375	10.2

Note: From DAC / OECD, ODA disbursements. In J.J Gabas (2005)

Box 1: The Priority Solidarity Zone (ZSP) and the geographical re-orientation of French Cooperation

The 'Zone de Solidarité Prioritaire' (ZSP) was created in 1998. It defines countries having priority in the French cooperation agenda (i.e. eligible to FSP (box n°2)). It is grouping mainly Least Developed Countries, with weak access to capital markets, and countries interested in developing partnership with France. After the last revision in 2002, the ZSP is composed of 54 countries (compared to the 37 ambit countries 'pays du champ'). As such, it is an extension of the French cooperation traditional area of intervention. However, the high number of countries inside the ZSP may be interpreted as a lack of effective prioritisation.

A focus on poverty and inequality reduction

As a result of these dynamics, France cooperation principles evolved towards greater integration into the international perspective.

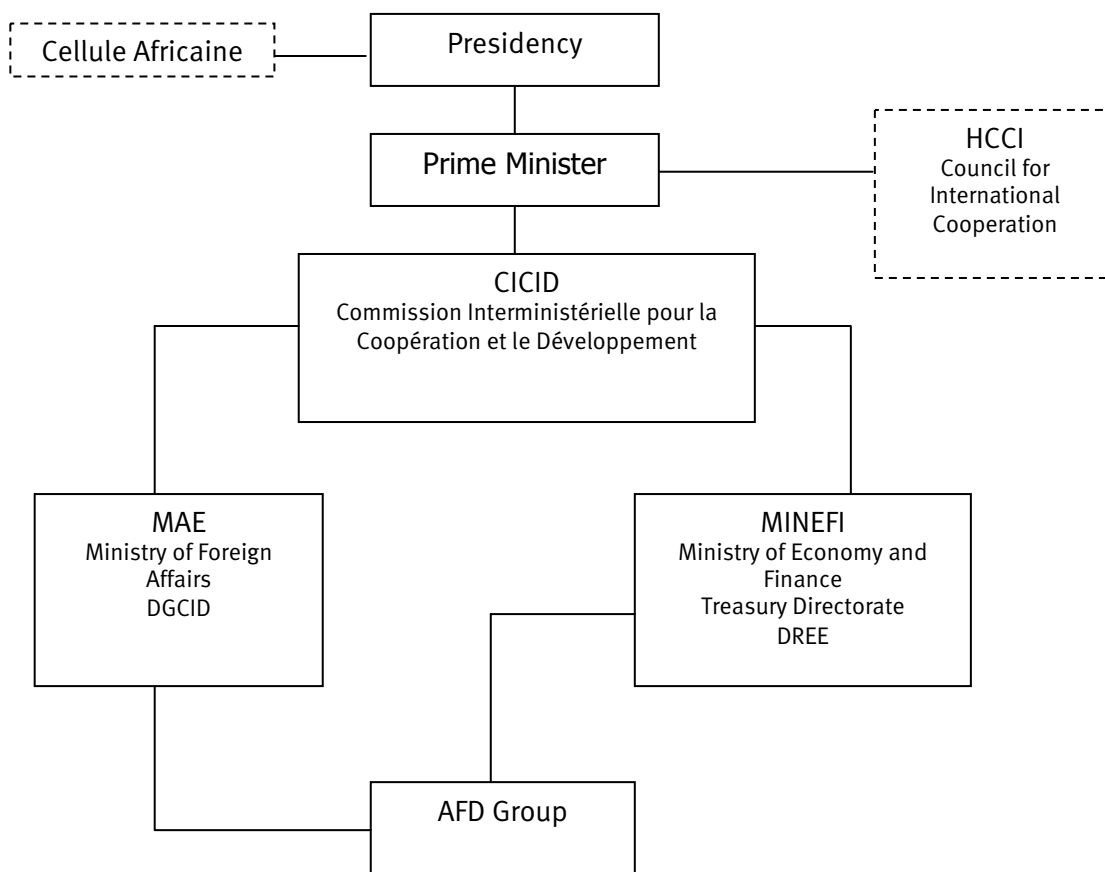
In the wake of the 1999's reform, the DGCID launched several studies of the poverty reduction impact of French cooperation policies. In 2000, a synthesis of these studies concluded that attacking poverty 'must be a major axis of the cooperation policy [...] though not an exclusive one. It is always better to explicit other goals than trying to connect artificially every action as a poverty reduction action.'⁵⁷ French cooperation is very aware of the importance of inequality reduction as a complementary goal to poverty reduction. France cooperation is now more and more focused on poverty and inequality reduction goals, with a strong support to MDGs.

However it has maintained several of its peculiarities, focusing its actions for MDGs through seven sectoral strategies:

- Education
- Water and sanitation
- Health
- Fight against HIV/AIDS
- Agriculture and food security
- Infrastructure in SSA
- Environment and biodiversity preservation

⁵⁷ DGCID (2000)

Diagram: French Cooperation simplified organigram



Governance, peace and security

‘Since the statement made at La Baule in 1990, French development cooperation has made the commitment to democracy one of its priorities, for democracy and development cannot be dissociated’
 Ministry of Foreign Affairs, DGCID, séries repères, For Democratic Governance, 2003, Paris

Since La Baule, the growing concern about governance reaffirmed France’s attachment to the Declaration of the Rights of Man and the Citizen. Alongside with democratic governance, is the question of economic governance, of special importance in the French cooperation.

France has also a strong involvement in the international process of harmonisation of donors’ actions. It assumes the presidency of the DAC/OECD working group on Aid efficiency.

Converging points with CFA proposal

Governance

France has strongly supported the NEPAD initiative from the beginning. The African Peer Review Mechanism is seen as a useful tool for better governance. As such, continuous financial support to this mechanism will be afforded by French cooperation.

The improvement of the fiscal capacity of African public administration is of particular relevance for French cooperation. It has a longstanding experience in this field, through technical assistance (customs and fiscal administration), and with the implementation of specific programs (through technical cooperation and the FSP (box n°2)).

Box 2: What is the Priority Solidarity Fund (FSP) ?

The 'Fonds de Solidarité Prioritaire' is the grant mechanism of the MFA (240,34 millions euros in 2003), for which only countries of the 'Zone de Solidarité Prioritaire' (ZSP, see box n°1) are eligible. It is used to fund projects and programmes in the institutional, social, cultural and research fields. Among these goals FSP projects are devoted primarily to strengthening the rule of law, Capacity building, Education, Health, Regional integration, Territorial development, and the fight against poverty.

The highlighting of *Higher Education* is strongly in coherence with French interventions in the field of Education. France is financing and implementing several programs specifically aimed at higher education improvement in Africa (CAMPUS/ CORUS, AUF programs, AIRE Développement...). This Sector has been neglected by other donators in the recent past, participating to its great difficulties. Impacts on the 'elite formation' explain its integration under the governance heading and legitimate this focus.

Providing sustained and predictable development assistance for recurrent spending is seen as an interesting proposal. However, the political consequences of increasing budget dependency over external resources are to be very cautiously considered. In this field, France has a long standing experience which has proven such dependency to be politically 'risky'.

Reducing corruption and increasing transparency

Reducing corruption and increasing transparency is a highly complex issue, in which a great diversity of politics, mechanisms, tools and actors are involved. Increasing transparency is particularly relevant for public budgeting, but also for the allocation of external resources were they private or public. Reducing corruption is not only an internal question it is also a question addressed to the North, and from an international perspective. Several international conventions are to be implemented in this field (Convention de Mérida, OECD fight against corruption mechanism). Local actors should be involved in these dynamics against corruption.

The question of *budgetary and fiscal information production and dissemination* for transparency is particularly relevant from the French perspective, highly involved in this process (PARIS 21). The proposal for the strengthening of statistical apparatus will be strongly supported by French institutions.

The involvement of France in the *Extractive Industries Transparency Initiative* (mainly in the Zone Franc) guarantees also a strong backing of the commission proposal to strengthen it. The same backing will benefit to the proposal of establishing 'much stronger mechanisms for tracing and repatriating illicitly acquired assets' (following the initiative from Ministers of Justice and Internal Affairs of the G8 in may 2004).

Promoting peace and security

France is backing the recommendations made by the high level panel on the UN reform (Mobilisation and coordination of international actors, creating a permanent fund for emergency operations for peace consolidation, strengthening conflict prevention capacities of the international community). From the French cooperation perspective the CFA proposal should mentioned these recommendations. Whether a specific funding for those countries inside the grey area between conflict and post-conflict should be created or not is still debated.

The proposal of *promoting 'developmental peace keeping'* is well perceived by French institutions⁵⁸.

Concerning the *financing of post-conflict operations*, France – with IMF, WB, EU, AfDB – is already involved in various new mechanisms (Emergency Assistance, moratory...). There is an opportunity for a global scheme to emerge as a mean to coordinate existing financial mechanisms. The Post-conflict facility created in 2004 by the AfDB (for the treatment of arrears) should be supported by the CFA.

⁵⁸ Though they are not necessarily supported by NGO's, more aware of the danger of confusing humanitarian and development operations with militarian ones.

Diverging / lacking points

- There is no reference to *the Global Public Good* framework which is important in policy statements of AFD and DGCID.
- The roles of *local public actors* are not taken into account. What about decentralisation dynamics for local governance?
- The proposal of revising the ‘spending ceilings’ of the IMF (excluding the investment spending for the primary surplus calculation in IMF programs) is cautiously considered as being too general. The financial and economics stability still remains a crucial point in IMF programs and should be questioned only on a case to case basis, with the analysis of priority spending.

Health

The average share of social infrastructure and services in Total French ODA is around one third (2000-2002: 36.6%). These funds are mainly devoted to Education with a great importance of Post secondary education (Education:21.6% (Post secondary education: 13.4%)). French ODA dedicated to Basic Health appears to be limited (Health: 4%; with water and sanitation: 7.5%).

The main principles in the health sector is health care for all and fight against transmissible diseases through participation to the Global fund to fight AIDS, Tuberculosis and Malaria. France organized the international conference for the financial support to this Fund (Paris, July 2003). Improving health care systems for all is a shared focus of France and CFA proposal.

French cooperation focus:

A general focus on the necessity of strengthening *Social protection net*.

Access to safe water supply and basic sanitation appears as a ‘key for development’ in France cooperation statement. As such the MDG n°7 is especially emphasised. France is strongly supporting the rural water supply and sanitation initiative undertaken by the African development bank. France will organise, in Paris, with the African Development Bank, an international conference to meet the millennium development goal for water supply and sanitation in Africa on April 1st, 2005.

Concerning finance, there is a general movement out of project financing. The AFD has increased the share of program financing, using grants (Mali), loans (Maroc) and C2D (‘Contrat désendettement développement’, in Mozambique, Ouganda, see box n°3). *Public-private partnership* is seen as a mean to improve health care systems efficiency, together with the mobilisation of additional sources of finance. These partnerships should concern the medical protection of workers and their family, as well as the research in new molecules for the fight against neglected diseases. Such partnerships are perceived as a mean to collect private financing in favour of Health.

Education

Main principle: Education for all.

Implementing the Fast Track initiative (targets n°2 and 3 of the MDGs), along the lines defined in the Forum de Dakar in April 2000: Education for all.

A general support to the Fast-track initiative is delivered by French cooperation with several budgetary financial supports through the DGCID main tool (‘Fonds de Solidarité Prioritaire’, FSP, Burkina Faso, Mauritania, Niger, Tanzania, see box n°2). These financial supports are complementary of those from the C2D (‘Contrat Désendettement et Développement’ see box n°3) mechanism, delivered by the AFD.

More than 200 technical assistants are involved through FSP programs. These programs include a strong component in favour of the improvement of the institutional capacity of the administration to manage the education system.

Specificities:

- In the past France has strongly supported the post secondary education system. The focus on basic education should not impede the necessity to improve the elite formation. Regional solutions are to be favoured over national ones, since economies of scale exist in delivering high quality post secondary education.
- Free school access.
- Involving civil society in this process.

Investment Climate

AFD group is active in this field, through guarantee schemes (COFACE and AFD, but also MINEFI). MFA encourages small businesses and microfinance, providing finance (FSP), expert advice, information and training programs.

France cooperation in Africa insists on:

Complementarity of public and private investment. The existence of public infrastructure is seen as a necessity for private investment.

Private investment is considered as one (and only one) of the financing sources for development. As such, a balance has to be found between public and private investment. The Public Private Partnership (PPP) tool is useful to increase private investment. The AFD has relied on PPP for major infrastructure project. ODA works as a catalyst, in co-financing, leveraging financing (grants, loans, guarantees, equity and quasi-equity holdings, loan guarantees in local currency, private project preparation funds and syndication). AFD supported the first Build Operate Transfer (BOT) experience in West Africa (Compagnie ivoirienne de production électrique). Half of the private operations financed by the AFD Group involve some form of PPP.

Previsibility, transparency and stability of the normative framework are main qualities of a favourable investment climate. Strengthening of economic law and judiciary procedures is an important step to the improvement of climate investment. Following the OHADA (Organisation pour l'Harmonisation en Afrique du Droit des Affaires)⁵⁹ success in francophone Africa, France is ready to explore the opportunity to expand this experience to Anglophone Africa.

Trade

UK and France share a common analysis of the risk of marginalisation of Africa in the world trade, due to eroding trade preferences in the context of multilateral liberalisation. In this respect the Blair commission is in line with the president Chirac initiative. Thus France gives a strong support to the enhancement of preferential access for Africa to 2015.

Main principle: Cautiously managed liberalisation of trade, taking account of the peculiarity and fragility of several African economies. The dependency on commodities' exports and the specific structure of most of African economies justify a special treatment during the liberalisation process of trade (e.g. Regional Economic Partnership Agreement).

However, the present differentiation between LDCs and Developing Countries is seen to be excluding non LDCs African Developing Countries from preferential access, though they can't be considered as emerging economies (Cameroon, Ghana...).

⁵⁹ OHADA is an organisation supported by DGCID which works for the harmonisation of African business and commercial laws. It is drafting a common code and encouraging the adoption of uniform basic economic laws through the 15 countries of the 'Zone Franc'.

The new 'Trade Integration Mechanism' facility of the IMF as well as the future 'Trade Facilitation Initiative' of the World Bank should be improved and supported to be effectively implemented at the benefit of African countries facing the costs of the liberalisation of trade.

French cooperation reaction to CFA proposal:

France is cautious concerning the CFA priority of eliminating subsidies on goods traded by African countries. Several steps have been already made in reforming OECD and EU agricultural policies. The June 2003 reform of the CAP as well as the on going redefinition of the sugar sector subsidies are going in the direction of the CFA proposal. The last July commitment of the EU in the removal of all exports' subsidies demonstrates that dynamics of change.

Therefore, France considers that this proposal should avoid a general discourse. It is seen necessary to differentiate supportive measures to agriculture following their distorting effects.

The same holds for the removal of all NTBs to trade. African countries have a real interest in respecting international industrial and sanitarian standards. The French focus is therefore rather on mechanisms for helping African countries to meet such requirements. Rules and standards remain a necessity in the fight against smuggling.

Aid

There is a strong convergence between France and UK on the necessity to find additional external resources to finance the gap between the MDGs for 2015 and the present level of completion of the main targets. Increasing the volume of Aid will have to be implemented in parallel with ... Improving its quality.

Such additional financing has to be obtained through three mechanisms:

- An increase of the budgetary commitment of rich countries under the average commitment of OECD countries.
- The implementation of the IFF.
- Innovative mechanisms of financing.

France, through Chirac position, backed on the rapport Landau⁶⁰, has taken a clear position in favour of an international tax based on very large international flows, like the taxation of air-plane travellers at very low rates.

In 2004, France with Brazil, Spain and Chile has formed the 'groupe quadripartite' resulting in the declaration of September 2004 at New York ('Action against Hunger and Poverty'). In this declaration (by Lula Da Silva), an *international tax for development* finance is advocated (more than 180 countries agreed the principle by the end of 2004).

The last France-UK meeting in November 2004 issued a common statement on the question of international taxation: '*We will also continue to work jointly to build support for other complementary innovative financing mechanisms and move forward on global taxation for development*'. However, through this statement, the commitment of UK government in the international tax question is more important than in the CFA proposal.

Such innovative flows have the great advantage of being stable in the long-run, facilitating long term policies commitment, and offering a foreseeable horizon for the IFF repayments after 2015.

Another point of convergence is on the question of new compensatory mechanisms for the management of external shocks affecting developing countries. The necessity of such mechanism has

⁶⁰ J.P. Landau : '*Les nouvelles contributions financières internationales*', Secrétariat général du gouvernement, collection « Rapports officiels », La Documentation française, Paris, 2004.

been underscored by the Evian G8 under French presidency. The IMF is working on the design of a new facility addressing this question.

Debt

'In line with the efforts consistently made by the IMF all along the debt crisis, a central objective must be to restore the solvency and creditworthiness of poor indebted countries, however long that may take. What HIPC countries need therefore is not a new ideology of 'grants only', but a pragmatic response to their current predicament: grants for the time being, to be sure, not only directed to current reduction in poverty, but also helping them to rebuild lasting solvency and avoiding any signal that this longer term objective could be abandoned.'

Pierre Jacquet October 2004⁶¹

French analysis of Debt has evolved significantly since the end of the 80s. After the renewed commitment to bilateral public debt relief for poor countries, France has played a leading role in the HIPC initiative intended at the management of multilateral unsustainable debt (1996). The C2D mechanism is a French initiative intended to the treatment of bilateral public debt alongside with HIPC multilateral debt initiative (box n°3).

Box 3: What is the C2D?

The 'Contrat Désendettement Développement' (C2D) is a tool designed for the treatment of bilateral public debt for HIPCs after they reach the point of completion. It is a re-financing grant mechanism for this bilateral public debt. A total of 3,7 billion euros could be re-financed this way. 5 countries have contracted such C2D (Mozambique, Uganda, Bolivia, Tanzania, Mauritania), and 22 countries are eligible to this contract. C2D are reassessed every three years until the extinction of the debt (average maturity of 30 years). 4 sectoral focuses have been isolated: Primary education and professional training, Basic health and the fight against transmissible diseases, Infrastructures and equipments of local government and communities, Management of natural resources and Territorial development.

In the wake of the third Francophonie summit of Dakar in May 1989, France partially cancelled the bilateral public debt of 35 SSA LDCs. The devaluation of the Franc CFA in 1994 was accompanied by a complete cancellation of the bilateral public debt of LDCs members of the 'Zone Franc'.

However, the position of France is now strongly in favor of a balanced approach between grants and loans. As quoted in Jacquet (2004), the main objective should be to 'restore the solvency and creditworthiness of poor indebted countries'. Three main reasons explain why France doesn't share the CFA proposition concerning the debt:

- Looking at the current situation of HIPCs after the achievement point, the sustainability of these countries has been restored. Thus, they should be able to benefit from new loans.
- 'Further debt relief, including 100% multilateral debt service cancellation' may decrease the long term involvement of international financial institutions in African poor countries. There is a risk that private as well as public international financial institutions chose a long term 'exit option' from countries unable to honor, even for a small part, their multilateral debt.
- Lastly, multilateral debt relief would be unable to generate enough additional financial flows for the attainment of MDGs.

A country by country approach, using the new framework for debt sustainability analysis is seen as a better solution than a 'one size fits all' solution. Inside the G7, France has proposed to design a new facility dedicated to financing debt service until the attainment of a sustainable level. This mechanism would act in response of external negative shocks, and suspended as soon as these countries have returned to sustainability.

⁶¹ Pierre Jacquet is the head of the strategic department of the AFD.

The anti 'free-rider' system of sanctions under discussion in the World Bank would be applied to HIPC eligible to this new facility. It would guarantee that debtors would not benefit from a lack of government control and governance, decreasing the case for 'moral hazard'.

Concerning the gold reserve of IMF, France is reluctant to use it as a way of financing debt relief. It considers that this reserve should not be used in a way that may reduce the financing capacity of the IMF in the long run. Moreover, such reserve could be used to finance other eligible countries to HIPC mechanism.

Lastly, the grants / loans balance have to be defined on a country by country basis, using the IDA framework for debt sustainability analysis. Loans should be possible inside the sustainability constraint, with grants financing MDGs.

Conclusion

French cooperation analysis of the CFA proposal insists first on coherence and coordination questions between:

- G8 and CFA (the last one without Japan, Russia, Italy and Germany)
- CFA and 2005 UN summit about MDG

It is possible to define numerous convergences between french and UK cooperation:

- Both advocate for an increase in Africa international assistance, with the same main goals (MDGs), even if they logically insist on different targets inside these MDGs.
- There is a common interest for more coordination with other international cooperation institutions and funds for more coherence.
- There is a parallel move toward mutual funding and basket funding as well as budgetary or program support ...

Alongside with these convergences, several differences exist:

A progressive liberalisation. French government have not necessarily the same definition of what is a 'protectionist misuse of environmental standards' (CFO). In the same vein, the removal of CAP protection is an old 'hot topic' between France and UK. Is the African cotton production to be protected against subsidised northern production? It is not clear if the answer from France and UK would be the same.

France is more prone to let LDCs protect sensitive agricultural sectors, without immediate reciprocity (in contradiction with WTO rules). However, the U.K. Government recent decision⁶² of not imposing policies of privatisation or trade liberalisation on developing countries as a condition of aid, in the future, is coherent with France position. As with the French C2D ('contrat désendettement-développement') UK will support developing countries' own priorities in reducing poverty, with agreed benchmarks to measure the outcomes and improvements in health and education.

Debt cancellation. France is reluctant to the CFA proposal of a 100% multilateral debt service cancellation. A country by country approach, using the new framework for debt sustainability analysis is seen as a better solution than a 'one size fits all' solution.

Decentralisation and the role of local governments. Local governments are seen as potential driving actors in development. They have an important role to play in improving governance including through their involvement in sectoral programs (water, sanitation, health, education...). They have a very limited place inside the CFA proposal. The French focus on public private partnership is in line with the emphasis on the involvement of local governments and local actors in such programs.

⁶² 'Partnerships for Poverty Reduction: rethinking conditionality', March, 2th 2005.

International taxation for financing global public goods. The raising international interest for an international tax for development finance has to be legitimate. French approach is based upon a global public good analysis which is absent from the CFA proposal. Environmentally sustainable development appears has one of these public goods which constitute one of the seven priorities set by the CICID in July 2004.

Bibliography

- Agence Française de Développement <http://www.afd.fr>; Rapport annuel 2003.
- Bourmaud D. (2002) 'La politique de coopération et la politique française en Afrique', Conférence Regards croisés France-Mali, Paris.
- Comité Interministériel de la Coopération Internationale et du Développement (2004) Juillet http://www.diplomatie.gouv.fr/cooperation/cicid_07_04/index.html.
- Direction Générale de la Coopération Internationale et du Développement, <http://www.diplomatie.gouv.fr/thema/>; Rapport annuel 2003.
- DGCID (2000) 'Lutte contre la pauvreté et les inégalités, synthèse de l'étude bilan sur les actions de la Coopération française', collection rapports d'étude, ministère des affaires étrangères, Paris.
- DGCID (2002) 'Attacking poverty, inequality and exclusion. Informing the debate', Série Repères, ministère des affaires étrangères, Paris.
- DGCID (2003) 'For democratic governance', Série Repères.
- DGCID and Direction du Trésor (2002) 'Les biens publics mondiaux', Série Partenariats.
- Gabas J.J. (2005) 'L'Aide Publique Française au Développement', Notes et Documents, La Documentation Française, mars 2005.
- Jacquet P. (2004) 'Loans vs grants', Notes for the panel IFC, JBIC, KfW and AFD, Washington D.C., Center for Global Development, October 1.
- Landau J.P. (2004) 'Les nouvelles contributions financières internationales', secrétariat général du gouvernement, collection 'Rapports officiels', la Documentation Française, Paris.

Summary Table: French perspective on the UK agenda for Africa (for the G8)

1	<p>A Focus on Poverty – French cooperation is very aware of the importance of inequality reduction as a complementary goal to poverty reduction. France cooperation is now more and more focused on poverty and inequality reduction goals, with a strong support to MDGs. However it has maintained several of its peculiarities, focusing its actions for MDGs through seven sectoral strategies⁶³:</p> <ul style="list-style-type: none"> • Education • Water and sanitation • Health • Fight against HIV/AIDS • Agriculture and food security • Infrastructure in SSA • Environment and biodiversity preservation
2	<p>Governance and Capacity-Building – France has strongly supported the NEPAD initiative from the beginning. The <i>African Peer Review Mechanism</i> is seen as a useful tool for better governance. The <i>improvement of the fiscal capacity</i> of African public administration is of particular relevance for French cooperation. The question of <i>budgetary and fiscal information production and dissemination</i> for transparency is particularly relevant from the French perspective, highly involved in this process. The <i>improvement of the fiscal capacity</i> of African public administration is of particular relevance for French cooperation</p>
3	<p>Peace & Security – France is backing the recommendations made by the high level panel on the UN reform (Mobilisation and coordination of international actors, creating a permanent fund for emergency operations for peace consolidation, strengthening conflict prevention capacities of the international community). Concerning the <i>financing of post-conflict operations</i>, France – with IMF, WB, EU, AfDB – is already involved in various new mechanisms (Emergency Assistance, moratory...). There is an opportunity for a global scheme to emerge as a mean to coordinate existing financial mechanisms.</p>
4	<p>Health, the main principles in the health sector is health care for all and fight against transmissible diseases through participation to the Global fund to fight AIDS, Tuberculosis and Malaria. <i>Access to safe water supply and basic sanitation</i> appears as a ‘key for development’ in France cooperation statement. As such the MDG n°7 is especially emphasised. France is strongly supporting the rural water supply and sanitation initiative undertaken by the African development bank. France will organise, in Paris, with the African Development Bank, an international conference to meet the millennium development goal for water supply and sanitation in Africa on April 1st, 2005. <i>Public-private partnership</i> is seen as a mean to improve health care systems efficiency, together with the mobilisation of additional sources of finance.</p>
5	<p>Education, the main objective here is implementing the Fast Track initiative (targets n°2 and 3 of the MDGs), along the lines defined in the Forum de Dakar in April 2000: Education for all. Several peculiarities: The focus on basic education should not impede the necessity to improve the elite formation. Regional solutions are to be favoured over national ones, since economies of scale exist in delivering high quality post secondary education. Free school access. Involving civil society in this process.</p>
6	<p>Growth – is seen as essential for the fight against poverty along with sound distribution policies. There is a focus on infrastructure (increasing absorptive capacity). Regarding climate investment, strengthening of economic law and judiciary procedures is an important step for its improvement. Complementarity between public and private investment is also emphasised.</p>
7	<p>More Trade and Fairer Trade – Main principle: Cautiously managed liberalisation of trade, taking account of the peculiarity and fragility of several African economies. The dependency on commodities’ exports and the specific structure of most of African economies justify a special treatment during the liberalisation process of trade (e.g. Economic Partnership Agreement).</p>
8	<p>Increase aid – There is a strong convergence between France and UK on the necessity to find additional external resources to finance the gap between the MDGs for 2015 and the present level of completion of the main targets. Increasing the volume of Aid will have to be implemented in parallel with ... Improving its quality.</p>

⁶³ CICID July 2004

	<p>Such additional financing has to be obtained through three mechanisms:</p> <ul style="list-style-type: none"> • An increase of the budgetary commitment of rich countries under the average commitment of OECD countries. • The implementation of the IFF. • Innovative mechanisms of financing. <p>France, through Chirac position, backed on the rapport Landau, has taken a clear position in favour of an international tax based on very large international flows, like the taxation of air-plane travellers at very low rates.</p>
9	<p>Improve the quality of aid through more coordination with other donors for more coherence. Untying Aid, increasing the share of budgetary and program support in ODA are necessary for this improvement.</p>
10	<p>Front-load aid – The IFF initiative is seen as an innovative mechanism, to be supported together with international taxation principles.</p>
11	<p>Cancel Debt – France is reluctant to the CFA proposal of a 100% multilateral debt service cancellation. A country by country approach, using the new framework for debt sustainability analysis is seen as a better solution than a ‘one size fits all’ solution. The C2D mechanism is a French initiative intended to the treatment of bilateral public debt alongside with HIPC multilateral debt initiative.</p>

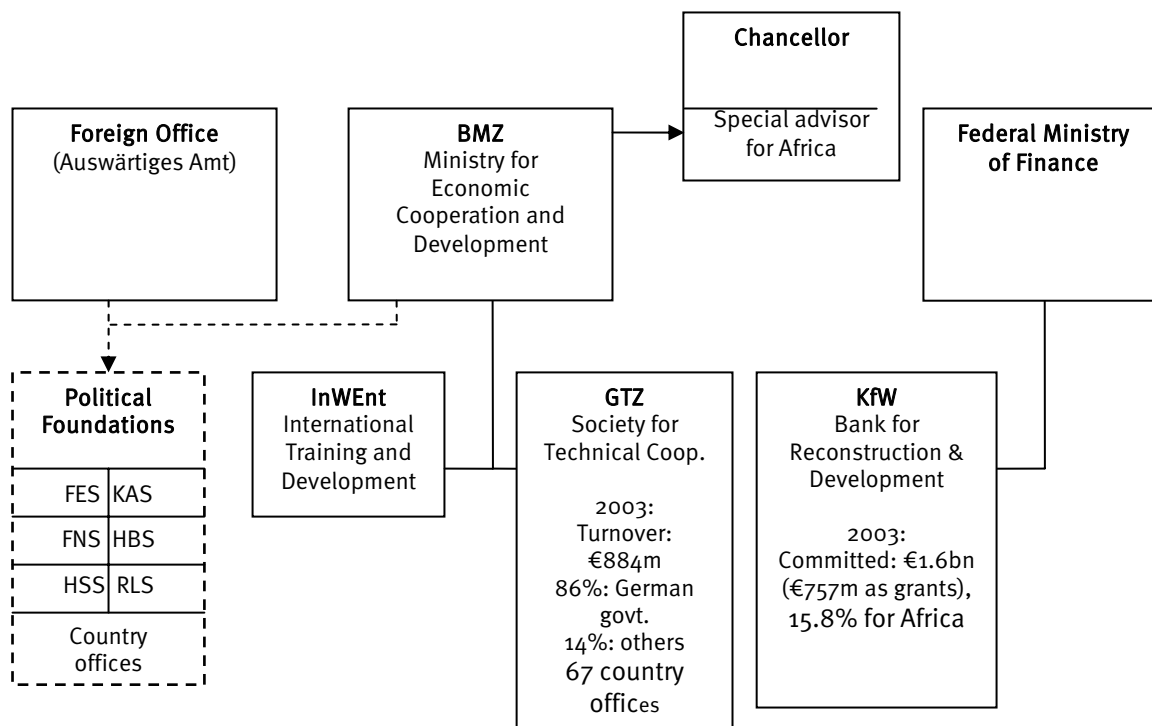
Annex 6: German policy towards Africa

Sven Grimm

Development cooperation of post-war Germany started as part of its ‘inner-German policy’; assistance was granted to states that recognised West Germany as the sole representative of Germany in its entirety. The diplomatic recognition of East Germany generally led to the break of diplomatic ties (the so-called ‘Hallstein’ doctrine of German foreign policy) and the consequent withdrawal of development aid. The doctrine faded in the late 1960s, but laid the foundation to a geographically wide and unfocused engagement.

Institutionally, German development cooperation is centralised in the Cooperation Ministry, but fragmented at the implementation level. The Ministry for Economic Cooperation (BMZ) is historically dominating German engagement with Africa; the Foreign Office (*Auswärtiges Amt*, AA) has formulated regional strategies for Africa only in the early years of the 21st century. Some minor mergers of implementation agencies have taken place since 1998, and discussions on others have started. Its staff remained mostly located in Bonn after the move of the capital to Berlin. The BMZ’s political leverage remains limited; policy on Africa is generally marginal in German politics. ‘Special advisor for Africa’ to the Chancellor since the G7 Summit of 1999 is BMZ Secretary of State Uschi Eid (Green party, second in hierarchy after the Minister, Heidemarie Wiecezorek-Zeul (Social democrats)).

Diagram 1: The Institutional set-up of German Development Cooperation in 2005



German development cooperation has a number of implementation agencies, the biggest of which is the GTZ. It was organised as a parastatal in 1974, so as to be able to operate as semi-detached from official policy in ‘difficult environments’, and had 1,259 staff in 2003. The other big agency is the German Development Bank (KfW), reflecting the traditional conceptual split between technical and financial cooperation in German development assistance; KfW is responsibility of the Finance Ministry. A merger of two different agencies has created InWEnt in 2001, an agency mostly concerned with the

third element of German cooperation, called ‘personnel cooperation’ (i.e. training and awareness raising within Germany).

Box 1: Strong academic criticism of German Africa policy – The Africa Memorandum of 2000

The academic discussion on Africa in Germany was stirred up by a memorandum of well-known researchers on the German Africa policy in October 2000. The memorandum stated that German cooperation was unduly optimistic in its prognosis on African development; this assessment is also made about Parliamentary discussion on African issues (cf. Engel 2001). Some regions of the continent could not be expected to see economic development in the near future. They thus demanded a reshuffling of German policy towards Africa; their conclusion was it was asking too much from development cooperation alone to tackle the challenges in Africa. Academics criticise German cooperation policy as lingering between poverty reduction, debt relief, and anti-terrorism actions. German policy towards Africa should become coherently more political and consistently more European, the authors of the memorandum demanded. (cf. Jakobeit/Weiland 2002 for a summary of the subsequent debate).

Development cooperation started as foreign economic policy in 1953 with a minor budget under the auspices of the Ministry for the Economy. In 1956, development assistance became a concern of the Foreign Office with a budget of DM 50m (€25.6m in current prices). So as to clarify competencies, the Ministry for Economic Cooperation (BMZ) was created in 1961. In subsequent years, the mandate of the BMZ was enlarged: technical cooperation came under its directions in 1964, financial cooperation in 1972. The full responsibility for the re-negotiation of the Lomé Convention – leading to the Cotonou agreement – was transferred to the BMZ in 1998, as well as responsibility for cooperation with Eastern European and Central Asia countries.

Box 2: Development Cooperation and German Politics

In the German tradition of coalition governments, the BMZ was often regarded as ‘compensation’ to the bigger coalition partner for the ‘loss’ of the Foreign Office, traditionally held by the smaller coalition partner in various coalitions since 1969. Since 1998, the FO is headed by the Green Party Politician Joschka Fischer, whereas Development Cooperation is the portfolio of Socialdemocrat Heidemarie Wieczorek-Zeul. The Parliamentary Secretary of State within the BMZ, Uschi Eid, is member of the Green party. Her responsibility within the Ministry was clarified as being responsible for Africa.

Within the cabinet, Ms. Wieczorek-Zeul has limited leverage: Her ministry is traditionally rivalling the Foreign Office. Within the Socialdemocrat Party, Ms. Wieczorek-Zeul is regarded as a representative of the party left. Finance Minister Hans Eichel was Prime Minister of the land (region) of Hesse before becoming Federal Minister. The south of Hesse is the political constituency of Ms. Wieczorek-Zeul. Differing from the British situation, the German Finance Minister does not take a particular interest in profiling on issues related to Africa and/or aid policy; the potential of alliance between him and Wieczorek-Zeul is thus limited.

Additionally, the Minister was symbolically upgraded by joining the ‘Federal Security Council’ (*Bundessicherheitsrat*; coordinating *inter alia* arms exports). Even though academics speak of a ‘new Africa policy’ since 2000, there is no radical change in German Africa policy (Mehler 2004).

The BMZ has a strategy for Sub-Saharan Africa, and all-African position papers published afterwards. A multitude of concept / position / strategy papers exist alongside each other; this hints at work-in-progress, but makes it more difficult to detect strategic lines. The Foreign Office has established policies on five regions of Africa (East, West, Central, South and the Horn) only since the beginning of the new millennium. In December 2003, the AA has published a ‘foreign policy strategy on Africa’, which is a rather broad and loose framework document for the five regional strategies.

Box 3: German framework strategy for Africa

The summary in the framework document (December 2003) states:

'Germany's political interests and objectives with regard to sub-Saharan Africa centre on the promotion of democracy, stability and prosperity. Peace and development are mutually dependent in this process. To this end, we and our partners in the European Union – with whom we cooperate very closely here as well – focus on measures in the following priority areas:

- realization of the global aims of human rights, good governance, the rule of law, democracy, the strengthening of civil society, freedom of the press, and the establishment of viable social security systems;
- poverty alleviation and food security;
- crisis prevention, conflict resolution and, where necessary, post-conflict reconciliation and rehabilitation;
- efforts to overcome economic and technological marginalization;
- the fight against HIV/AIDS.

Germany wishes to consolidate and enhance its reputation as a trustworthy and reliable partner whose words carry weight and who in turn can count on support.[...] However, the heterogeneity of the African continent calls for a nuanced approach that takes due account of the specific circumstances and needs of its various regions. Regional strategies are therefore essential.'

The overview is followed by a brief list of instruments to achieve these goals, which embrace

- 'intensification of political dialogues', including Parliaments;
- 'political and material (if necessary also personnel) support for regional security structures';
- building and supporting regional security structures;
- 'active and patient support for democracy', including via civil society;
- 'targeted use of instruments of development cooperation and of the political foundations';
- cultural cooperation;
- support for twinning initiatives; and
- support for 'soft [i.e. sustainable] tourism'

The following regional strategies list German interests in the respective region, specific goals, instruments and issues of implementation of German Africa policy. The document does not, however, establish priorities among the listed and diverse goals. Neither does it analyse weaknesses of German instruments in the Africa policy. It is not considered whether the instruments are fully adequate for the tasks.

Governance / Security

The German government is particularly dedicated to supporting African initiatives, such as the African Union and NEPAD. Both are seen as chances for legitimate support (adhering to the principle of 'ownership') to improving both governance and security. Most often referred to is the African Peer Review Mechanism (APRM) and the Security dimension of the AU. The Secretary of State, Uschi Eid, has expressed doubts about the process of the Commission for Africa. Some critics have pointed out the 'unilateral' approach of Tony Blair in this area. Questions about the where-about of the G8 Africa Action Plan in this endeavour were voiced.

Box 4: The Political Foundations – Partners for political and social change

Political foundations are particular actors in German development cooperation. They are officially NGOs, i.e. they operate below the state level, but political foundations are playing a particular role in German foreign relations. Closely affiliated to political parties, they are often 'testing the ground' for state policy.

They are operating as both think tanks and implementation agencies for political parties. Most of them have established a network of offices in partner countries. The political foundations are perceiving shortages in the social and political system as one key obstacle to development. The foundations are funded via the budgets of the Foreign Office and the BMZ, currently about €170-180m annually, according to the average share of votes for the respective party they are affiliated to. Half their budgets are attributed to development cooperation. These are not large sums of money, but the interventions of the foundations are explicitly political and ideally in strategic areas of partner countries. Widely conceptualised, there are possible connections to the UK DFID 'driver for change' programme, with the major distinction that the foundations' work is – in a very broad sense –

ideologically driven via cooperation with partisan allies. The partners can be political parties, Parliamentarians and/or NGOs (e.g. trade unions or Church organisations, according to the respective political predisposition).

The two major foundations are Friedrich-Ebert-Foundation (FES, affiliated to the Social Democrats) and Konrad-Adenauer-Foundation (KAS, affiliated to the Christian Democrats). The two share about 2/3 of the funding among themselves. In 2004, FES had 19 offices and about €12m in 2004 for projects in Sub-Saharan Africa, KAS was represented with 11 offices in Sub-Saharan Africa. Their respective ideological affiliations lead to slightly different emphasis in the cooperation areas and regions. The Ebert-Foundation for instance has supported the ANC in its anti-Apartheid struggle, as well as COSATU, whereas the Adenauer-Foundation supported the Inkatha Freedom Party of Chief Buthelezi. The Foundations have played a particular role in a number of transition processes, e.g. in Southern Europe (Spain), Latin America (Chile) or, to a lesser extent Africa (Ghana), by offering meeting space, training and negotiation support for civil society.

Other, smaller foundations are: Friedrich-Naumann-Foundation (FNS, liberals), Heinrich-Böll-Foundation (HBS, Green Party), Hanns-Seidel-Foundation (HSS, Bavarian conservatives – CSU), and the latest attempt is the Rosa-Luxemburg-Foundation (affiliated to the predominately Eastern German Socialist Party, PDS).

Governance

Governance issues are discussed as conditions for cooperation in German development policy since 1991. Before, they were formulated only as *goals* of development cooperation. Five criteria were given as basis for future cooperation and justified with concerns about efficiency: (i) respect for human rights; (ii) participation of the population in the political process; (iii) rule of law; (iv) introduction of a (social) market economy; and (v) development orientation of state actions. These principles can be seen as core issues of German cooperation; the emphasis is changing between condition and goal. Other areas are conflict prevention, the achievement of MDGs, the promotion of regional integration, and sustainable development (as presented by Minister Wierczorek-Zeul in an address to Parliament in July 2003).

Since 2004, Good Governance is one of three most commonly agreed upon areas with partners in German development cooperation, besides economic cooperation (e.g. support for SME) and cooperation in the Water Sector. German cooperation spent 6.7% or €104,78m on governance ('state and civil society, incl. promotion of democracy'). Note that this is not the amount spent on Africa (27% of the overall German assistance was spent on Africa in 2002). Background papers of the BMZ emphasise that governance is also aimed at by the way of interaction in other sectors. German cooperation has issued a policy paper on this focal sector (June 2002).

The water sector is traditionally one of the focal sectors for German technical cooperation. About half of the funds on water management was spent in Africa. Expertise has been built up in this area, particularly in the GTZ. It is currently at times redefined as cross-border water management (governance) as part of conflict prevention measures. Additionally, the environmental and health dimensions are emphasised.

Box 5: Civilian Peace Corps

In 1999, the German government created a Civilian Peace Corps (*Ziviler Friedensdienst*), based on a number of recognised NGOs (particularly church affiliated organisations). About 168 personnel have been sent to conflict regions of the world under this banner since then. Main areas of action have been outside Africa, though, with former Yugoslavia and Afghanistan top of the list. African countries of German activities in this policy area have been Malawi, Sierra Leone/Guinea, Chad, and Uganda. The success of these endeavours is not clear; a first evaluation was made in 2003 (published in 2004).

Conflict prevention and security

The centre-left coalition government puts emphasis on the conflict prevention character of development cooperation. The GTZ runs a 'Crisis Prevention and Conflict Transformation Programme'. The BMZ has set up a 'peace fund' to allow for rapid reaction for conflict transformation. The fund, however, is limited in size; it allows for €50,000 grants to local initiatives/NGOs and advisory services,

including training and further education on conflict transformation. A foreign office funded centre is concerned with training of 'peace workers'.

Box 6: The German Military – Africa as first area for engagement after WWII since unification

Sub-Saharan Africa was the stage for the first German 'out-of-[NATO]-area' military action since the end of World War II. The humanitarian intervention in Somalia in the early 1990s opened the general discussion about German military involvement abroad. Since then, the German army has participated in two interventions in Africa. The *Bundesmarine* (Federal Navy) has patrolled the sea at the Horn of Africa, mostly the waters along the Somali shore (operation based in Djibouti; 775 soldiers). Additionally, German military staff has – largely symbolically at headquarters and from Uganda – supported the French led intervention under the EU flag in DRC (Bunia/Ituri; 350 soldiers). The Defence Ministry in March 2004 established military guidelines for engagement in Africa, applying an 'enlarged concept of security'.

Military service in Germany is still compulsory, with the aim of keeping a flow of civilians into the ranks. This shall prevent the military from becoming a 'parallel universe'. It is possible to reject the 9-months military service and do a 12-months civilian service instead. In few cases, the civilian service can be accomplished abroad, e.g. in development projects. This, however, is rather the exception.

The German Foreign Office sees the UK model of both Global Conflict Prevention Pool and the Africa Conflict Prevention Pool as successful, according to AA Minister of State Kerstin Müller (Jan. 2005). The Federal Government's action plan on 'Civilian crisis prevention, conflict resolution and post-conflict peace-building' tries to built on British experiences and has 'invited' concerned departments (foreign affairs, development, and defence) to set up jointly managed funds.

Health

The health sector is not among the key areas of German cooperation. In 2002, the sector accounted for 4.26% of German ODA (€66.89m). The share of funding is projected to have risen slightly in 2003 (4.59%) and 2004 (4.82%). However, due to little changes in the overall amount of German ODA, the sum is unlikely to change much in absolute figures (€69.55m). German cooperation undertakes projects and programmes in the following areas within the health sector:

- Establishment of basic health care
- Fighting infectious diseases (HIV/AIDS, malaria, tuberculosis)
- Reproductive health
- Cost-effective organisation and management of health systems
- Health insurance schemes

Within this sector, emphasis of German development cooperation is put on reproductive health; youth and women are the main addressees. The small-scale of cooperation is equally present in this sector: It has supported ca. 100 projects in about 60 countries in 2002. Between 1994 and 2002, the government supplied €557,2m – about half of which (€246,5m) were channelled through UNFPA and the International Planned Parenthood Federation (IPPF).

Box 7: HIV/AIDS in German development cooperation

Within this sector, German cooperation is particularly aware of HIV/AIDS as an issue. Besides individual suffering, government publications on development cooperation highlight the adverse effects of HIV/AIDS and other diseases on societies. The BMZ has pledged to contribute €300m for GFATM (Global Fund for the fight against Aids, Tuberculosis and Malaria) until 2007. German awareness campaigning against AIDS has started relatively early and with much public effect in Germany. This campaigning also had effects on development cooperation: Between 1987 and 2000, government has spent €284m (including multilateral funding) on the fight against AIDS. According to UNAIDS, Germany is in third position on funding for the fight against AIDS.

Investment climate / Trade

EU Member States do not conduct separate trade policies; the European Commission is the sole international representation of the common market. However, individual EU Member States have trade policy positions. German trade with Africa remains marginal (2%); the continent is thus not on the trade agenda. Nigeria and South Africa account for the lion's share of German trade with Sub-Saharan Africa (30% and 50% respectively). Imports from Africa persistently sank through the decades, from 9% in 1950 to 2% in 2003 (including North Africa).

Box 8: Private initiative with long tradition: the Africa Association

The Africa Association (Deutscher Afrika-Verein, Hamburg), has a history dating back to colonial links. Its aim is to 'assist its members by providing up to date business information, creating business links and representing the interests of its members in Germany, Europe and Africa.' Its membership comprises some 500 members, ranging from German multinationals to a large number of medium sized companies with trade links with or investments in African countries. Together with two umbrella federations of German Industry and Commerce (BDI and DIHT), Afrika-Verein has started and actively supports two initiatives of the German private sector for Africa, only one of them covering Sub-Saharan Africa. The focus is on South Africa, destination of most of Germany's FDI to Africa (50%). The influence, however, is relative to the weight of Africa in German external trade, i.e. very limited.

Support to private enterprise development is another common area of activity for German cooperation. It is named as one in three focal areas by ministry officials. Some actors feel that the factor productivity has been neglected in the MDG discussion. The focus of cooperation, however, is still in flux; no clear line can be detected. Promotion of small businesses is also a task of several political foundations.

Official Development Aid

The share of bilateral cooperation has shown a persistent trend of decrease in German cooperation. The funding via multilateral agencies and the EU reached its all-time high in 2000, when over 40% was non-bilateral aid. Since then, the level of bilateral assistance has slightly gone up again. The level of ODA per GNI is has slightly increased between 1999 and 2003; it has gone up from 0.26% to 0.28%. In 2003, there was a slight real increase in ODA from Germany (3.9%). The figure for 2004, however, remained at 0.28% GNI for development assistance. Germany contributes 23.36% to the European Development Fund (EDF), which is less than its contribution to previous EDFs and below its GNI-based share in the EU general budget (29.5%) (on the EDF, see the EU study).

German ODA – To whom and how?

About a quarter of German bilateral ODA (€1bn) was spent on cooperation with Sub-Saharan Africa in 2002. Mozambique and Cameroon were the biggest recipients of aid from Germany in that region, with ca. 24% and 10% of funds for Africa respectively. Nigeria was a large recipient of non-ODA official assistance (OOF of €3.4bn in 2002). The strategic planning behind these overall figures, however, was doubtful, as criticised by the BMZ head of department for Africa and the Middle East.⁶⁴ Comparison was made to DFID's policy to focus 90% of its ODA on LICs; there is no such decision in German cooperation. Poverty reduction in Germany is aimed at poor population segments, not exclusively at poor states.

German development assistance is not predominantly motivated by Germany's mostly forgotten colonial past (1884-1918). The major exception from this rule is Namibia, the independence of which in 1990 coincided with German Unification. Namibia became a cornerstone of recognition of German historical responsibility in Africa, drawing back on historical links of both West and East Germany. The Development Cooperation Minister during a visit to Namibia asked for forgiveness of the genocide of the Herero people at the centennial anniversary of the event in 2004. The Federal Republic is Namibia's biggest donor.

⁶⁴ Cf. Katja Roehder: Bericht zum Fachgespräch Deutsche Entwicklungspolitik in Subsahara-Afrika: Kontinuität oder Neuorientierung? Publication of the German Development Institute [report on a discussion in Berlin, 24. Mai 2004], Bonn, July 2004.

Box 9: Priority partner countries, partner countries and potential partner countries in Africa

In 2000, the BMZ reduced the number of partner countries from 118 to 70, subdivided into priority partner countries and partner countries. In the former, the German cooperation engages in three sectors, in the latter cooperation is limited to one sector. Eligible for German cooperation are potentially 31 African countries out of 49 (as defined in 2003). *16 Priority partner countries:* Cameroon, Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Namibia, Rwanda, Senegal, South Africa, Tanzania, Uganda and Zambia. In addition these, the BMZ identified *9 partner countries:* Burundi, Chad, Cote d'Ivoire, Eritrea, Guinea, Lesotho, Madagascar, Niger and Nigeria.

A third category is made of *6 'potential partner countries'*. These countries currently do not qualify for cooperation, but 'shall be kept on the agenda' so as possibly including them once the conditions have changed. The countries in this category in Africa were: Angola, DRC, Sierra Leone, Sudan, Togo and Zimbabwe.

Granting budget support is an ongoing discussion in Germany; 3-4% of the funds are given as general budget support. BMZ officials often refer to difficulties in the German budgetary legislation, i.e. the accountability of the administration, as an obstacle to engage in budget support. If technical cooperation is included, around 7% of funds are dedicated to programme assistance. Generally, the German government emphasised the financially limited range of manoeuvre (with hints to the European Stability Pact which restricts budget deficits). With regard to its overall aid budget, Germany has not published a plan on how to reach the Monterrey commitment of 0.33% ODA/GNP as of yet. Development Minister Wieczorek-Zeul is pressing for a commitment of 0.5% by 2010 (cf. *Zeitschrift Entwicklungspolitik* 3/4/2005 February), as does the EU Commission. The Chancellery and the Foreign Office seem to be equally supportive of an increase in funds, mainly motivated by German ambitions for a permanent seat in the UN Security Council. However, the Finance minister has not (yet) given in to pressure.

The German position on the IFF – 'Yes' or 'Nein' on the IFF

After the Davos Forum, British newspapers reported the German Chancellor Schröder as having backed the IFF proposal of Gordon Brown. Schröder's warning of a 'kaleidoscope of different proposals' that wouldn't be helpful was understood as an indirect criticism of French President Jacques Chirac's suggestion of a tax on international capital flows (and the British press duly interpreted it in this light, see FT of 29/30 January). In fact, Schröder called the proposal for an IFF 'reputable'; it would rather be 'more enabling for meeting the MDGs than it would be without'. The IFF was target-oriented and merited a serious discussion, he said. Schröder has committed to the IFF – somewhat conditional on a solution for refinancing the IFF: 'And Thabo Mbeki and I therefore agree on the goal of attempting to set up this facility and decide on a feasible financing proposal in the context of the G8' (own translation).

The positions within German government on the IFF proposal vary. The BMZ issued a press release on 28 January 2005 in which the Minister Wieczorek-Zeul welcomed the proposals of Chancellor Schröder with regard to the 'International Finance Facility and the tax on speculative international foreign exchange transfers', carefully also making the link between the IFF and its refinancing. Wieczorek-Zeul – unsurprisingly – has repeatedly stated her strong support for a considerable increase of funding for development assistance and in this context has explicitly supported the British initiative on the IFF. With regard to financing the IFF, she has suggested to re-allocate today's agricultural subsidies in earlier interviews (*FAZ* of 30 September 2004). The BMZ had issued a research background paper on the feasibility of a tax on international foreign exchange transfer in 2002; this paper apparently was not on the agenda of the Finance Ministry.

The German Ministry of Finance seems hesitant towards the IFF, apparently also due to concerns about the legal implications (see box 10). In Davos, Cajo Koch-Weser, secretary of state in the Finance Ministry, suggested a pilot facility. The IFF could be set up with – initially – smaller funding ('several billion Euros') to finance e.g. vaccination programmes in Africa's poor countries. Even this smaller facility 'will take a lot of time' to be implemented. Both Koch-Weser and Finance Minister Eichel have suggested taxing of aviation fuel, seen as more realistic than taxes on international foreign exchange transfers, 'economically sensible and technically easier to do'. However, opposition of e.g. the US will make a quick solution unlikely, as Koch-Weser admitted. Taxes on global public goods would rather be a third step to be considered, after debt relief and the creation of a reduced IFF (cf. *Die Welt* of 31 January).

Box 10: The IFF in the public debate in Germany

In the German press, hardly any precise statement on the IFF could be found. Rather in the focus of German newspapers the day after Schröder's speech was the proposed 'Tobin tax', which some papers regarded as 'supported' by the German Chancellor (*Süddeutsche Zeitung*). Some papers doubted that he seriously was to support the tax on international foreign exchange transfers and were highly critical (*Handelsblatt*, *Frankfurter Allgemeine Zeitung*). In the linkage between the facility and its re-financing, French papers saw a clear support for President Chirac's proposals: 'Gerhard Schroeder se fait avocat de la taxe Tobin' (*Nouvelle Observateur*, 28 January).

The linkage to the refinancing picks up on concerns mentioned in the German press on refinancing the IFF and budget implications that are seen as 'unconstitutional'. The political commitment of reaching the target of 0.7% ODA/GNP would turn into a legally binding funding commitment after 2015. The *Frankfurter Allgemeine Zeitung* [respectable, conservative] understood this as withdrawing Parliamentary budget control from the development budget. 'The IFF would make it impossible for Parliamentarians to set different priorities' (FAZ of 29 January), which would violate the norm of annual budget decision to be taken by the Bundestag. FAZ called the IFF a 'trick' of Gordon Brown and conditions for refunding 'particularly disadvantageous'. Up to a third could be 'swallowed up' by interests and costs of administration.

The IFF is not high on the agenda in political debate on financing for development cooperation in Germany. The Christian-Democrat opposition are criticising the government for being 'not serious' on development policy, but have not issued a concrete position on the IFF. They, however, reject an international tax as 'unlikely' (cf. the CDU homepage 1 Feb, 10.30h). Latest, the Head of State, Horst Köhler, on his trip through several African countries has called on Germany to meet 'its international obligations'. The destination of this trip was highly symbolic, as it was Köhler's first official international visit since his appointment as Federal President.

Debt

The German government position on debt relief is still unclear. The BMZ is pressing for it for the poorest nations and is supported by a relatively strong NGO initiative, trying to build on the 1999 Cologne Summit results. The Finance Ministry, however, has still not formulated a clear position on debt cancellation. It appears to be rather hesitant, fearing further strain on the German budget.

Conclusion and differing approaches

- Generally: German development assistance is characterised by little focus, concepts in flux, and discussion around both institutional setup and areas of concentration
- Multitude of targets contrast with limited funding
- Development cooperation is a relatively weak ministry with regard to all-government decisions
- Most movement in the area of security-development nexus (important for Japan: Germany's attempt to safeguarded peaceful cooperation as guiding principle, but no longer non-engagement – multilateralism as key)

Summary Table: Likely German positions towards UK agenda for Africa (for the G8)

1	<i>A Focus on Poverty</i> – The German development cooperation emphasises its focuses on poverty. Like the EU, this includes MICs, in particular: Eastern Europe and so-called anchor-states (i.e. big states important for regional stability), such as India, China, Brazil, Nigeria, Egypt, etc..
2	<i>Governance and Capacity-Building</i> – German assistance has a high share of technical cooperation; the traditional emphasis is on ‘non-political’ cooperation and support for NGOs. Assistance in training and education (including in governance-relevant sectors) are high profile areas. More ‘political’ cooperation, however, is rather the task of political foundations; in the multitude of German institutions, they are unique and the most active parts in this field.
3	<i>Peace & Security</i> – after WWII, Germany has traditionally emphasised conflict prevention, rather than conflict management (partly due to limited sovereignty and very limited military capacity). Since unification and the end of the Cold War the sector has gained a higher profile and more acceptance in the German population. It is still, however, in an initial stage. The UK experience of coordination of different line-ministries is often seen as guiding for German endeavours.
4	<i>Health</i> – Not a high profile sector in German cooperation. However, HIV/AIDS is an important area of engagement, particularly supported by the German public and the NGO sector. The area of social service delivery is important, incl. for financial cooperation (about a quarter of KfW financing). Increasingly, cooperation addresses also governance in the health sector, i.e. sector reform and administration (technical cooperation).
5	<i>Education</i> – German cooperation here sees one of its areas of particular expertise; training and job formation (along the German set-up) are seen as ‘exportable models’. Expertise is also given on how to reform the sector in partner countries (technical cooperation).
6	<i>Growth</i> – Would not be contested by German government as crucial for development (NB: the particular inner-German importance of the issue). With regard to the British debate, the emphasis in development cooperation is, however, more on ‘sustainable growth’, i.e. providing for an inclusion of the social and environmental impact.
7	<i>More Trade and Fairer Trade</i> – quite unclear position of the German government on this, as Africa does not feature high on the trade agenda. The development ministry is sceptical about the paramount position of trade and rather in line with NGOs. Emphasis is on ‘fair trade’ rather than ‘more trade’; e.g. the BMZ is highly critical of EU agriculture policy – but Germany’s position on agriculture in the EU institutions is taking French interests into consideration and therefore rather low-key. Farmers are strong lobby in Germany, too – even if the red-green govt does not regard them as their key constituency. Non-tariff barriers are rather seen as helpful as measures for protection of consumers and the environment.
8	<i>Increase aid</i> – The BMZ is pressing for more aid, and is increasingly arguing for the need to do so in order to ‘substantiate’ the German ambitions for a permanent seat in the UN Security Council. Government as a whole, however, does not prioritise development assistance. Very high unemployment, still high costs of unification, and little growth in Germany make a sudden leap in development assistance unlikely and will impede a strong German commitment in this matter.
9	<i>Improve the quality of aid</i> – The discussion is in a quite initial stage in Germany. It focuses rather on reforming the German institutions (i.e. reducing their multitude). With regard to current debates in the aid sector: Budget support is used very carefully/hesitantly, partly due to legal arguments on the German donor side and concerns about the misuse of funds (corruption).
10	<i>Front-load aid</i> – The IFF is considered to be an interesting model (particularly with regard to German budgetary constraints). German government, however, stresses the need for sound re-financing. Observers in Germany point to possible constitutional problems with binding commitment of future development assistance to re-financing the IFF bonds, as this would tie future Parliaments. Culturally rooted hesitations towards loan-based financing are stronger in Germany than in the UK.
11	<i>Cancel Debt</i> – German NGOs are particular active in this sector, pressing for debt cancellation. The Finance Ministry, however, has not made a definite statement on the issue. It could increase the German budget deficit; with regard to the EU stability (even in its reformed version of March 2005), a strong German position will be difficult to obtain (see point 8).

A discussion of relevance in German cooperation is the current debate on ‘anchor countries’, i.e. the need to support countries with an overall importance for the development of a region. It is argued that, for instance, India is of crucial importance for the stability and thus for the development of all of South Asia. This discussion takes international relations and broader governance aspects into consideration. However, it is likely to result in a focus on large countries (and thus potentially large markets). The discussion is different from UK debates, which claims to focus on poor states as an indicator for poverty orientation.

Sources

Informal discussions and contacts with Africa researchers in German, notably of the *Institute for African Affairs*, Hamburg, and the *German Development Institute*, Bonn, as well as employees of the *Ministry of Development Cooperation* (BMZ).

Press articles on German development cooperation, taken from *Frankfurter Allgemeine Zeitung*, *Handelsblatt*, *Süddeutsche Zeitung*, *Die Welt*, and specialist publications on development cooperation, e.g. *Zeitschrift Entwicklungspolitik* (monthly) and *D+C Development+ Cooperation* (published monthly by InWEnt).

Auswärtiges Amt (2003): Sub-Saharan Africa – foreign policy strategies, http://www.auswaertiges-amt.de/www/en/aussenpolitik/regionalkonzepte/afrika/afrika_allg_html

BMZ (2004): Medienhandbuch Entwicklungspolitik 2004/2005, published June 2004.

BMZ (2002): Die afrikanische Herausforderung – Eckpunkte einer strategischen Afrikapolitik. http://www.bmz.de/de/service/infothek/fach/konzepte/konzept116_afrika.pdf

Websites (in English):

BMZ: <http://www.bmz.de/de/english.html>

GTZ: <http://www.gtz.de/>

KfW development bank: <http://www.kfw-entwicklungsbank.de/EN/Inhalt.jsp>

InWEnt: <http://www.inwent.org/index.en.shtml>

The political foundations operate in German; their websites offer only short introductions or overviews in English:

Friedrich-Ebert-Foundation: <http://www.fes.de/fesenglish.pdf>

Konrad-Adenauer-Foundation: http://www.kas.de/1641_webseite.html

Academic Articles and Monographs

Engel, Ulf (2001): Afrikabilder und Afrikarealitäten. Die jüngste Diskussion im Deutschen Bundestag [*African images and African realities. The most recent discussions in German Parliament*], in: Afrika-Jahrbuch 2000, Opladen, pp. 25-35.

Engel, Ulf (2000): Die Afrikapolitik der Bundesrepublik Deutschland 1949-1999. Hamburg.

Engel, Ulf (2000): Briefing: Still in search of a political agenda: Germany's Africa Policy under the red-green government, 1998-99, *African Affairs* (2000), 99, pp. 113-118.

Grimm, Sven (2003): Die Afrikapolitik der Europäischen Union [*The Africa policy of the European Union*], Hamburg.

Grimm, Sven (2005, forthcoming): Deutsche Sicherheitsinteressen in Afrika, in: Reader Sicherheitspolitik, June 2005.

Jakobeit, Cord/Weiland, Heribert (2002): Das Afrika-Memorandum und seine Kritiker. Eine Dokumentation [*The Africa memorandum and its critics. A documentation*], Hamburg.

Klingebiel, Stephan/Stefan Mair/Andreas Mehler (2003): Deutsche Afrikapolitik – Prämissen, Konzepte und Instrumente [*German Africa policy – premisses, concepts, and instruments*], working paper of the SWP, Berlin, April 2003.

Mehler, Andreas (2004): Die neue deutsche Afrikapolitik [*The new German policy towards Africa*], in: Mir A. Ferdowsi (ed.), Afrika – ein verlorener Kontinent? [*Africa – a lost continent?*], Munich, pp. 293-311.

Roehder, Katja (2004): Bericht zum Fachgespräch Deutsche Entwicklungspolitik in Subsahara-Afrika: Kontinuität oder Neuorientierung? Publication of the German Development Institute [report on a discussion in Berlin, 24. Mai 2004], Bonn, July 2004.

Annex 7: EU policy towards Africa

Sven Grimm

European external relations (or European presence in the world) are a mixture of foreign economic policy, development co-operation and ‘classical’ foreign policy. The distinct European notion is a result of the history of integration and the consequent complex set-up of the European Union. The historical evolution of the EU has created a multi-level system of governance, with a multitude of actors involved and a distinct legal framework, which is beyond a ‘mere’ multilateral donor agency, but not replacing Member States policies (see box 1).

Box 1: The nature of the beast: EU development cooperation within a multilevel political system

The European Union (EU) is the roof over three separate ‘pillars’:

- the European Community (EC),
- the Common Foreign and Security Policy (CFSP), and
- cooperation in Justice and Home Affairs (JHA).

Economic terms cannot easily be transferred to a political entity. For illustration, however, one might speak of the EU acting as a ‘holding’ of the three pillars. Union institutions have different powers in different policy areas. Their influence tends to be highest in the ‘first pillar’, the Community.

The EC, as one ‘branch’ of the EU, has a wide ranging mandate, covering common policies on agriculture, fisheries, and trade. In addition to these policies with the highest level of integration – where ‘Brussels’ is the sole spokesperson for all Member States and where there is only European law to regulate – the Community can regulate issues in the fields of consumer protection and environmental policy. Member State legislation in these policy areas is still possible as long as there is no rivalling European legislation. If so, European law is paramount to national law.

Development policy is a third type of policy competency of the EC. European institutions provide funding and planning in this field. European legislation, however, is limited to common funding; Member States maintain their national (‘bilateral’) programmes. The challenge in these areas of shared competencies is to create a coherent, complementary, and coordinated policy that embraces all actors in a non-hierarchical system.

These different types of competencies are provided for in separate treaties and have been codified in one single document with the European Constitution, signed in October 2004 and currently in the process of ratification in all 25 Member States (either by parliamentary vote or by referendum).

The beginning of EU cooperation with Africa dates back to the very foundation of the European Community, i.e. as early as 1958. The relationship towards Africa was the foundation for common European external relation. The creation of the EEC as a trading block raised the question about treatment of the then colonies of the founding Member States France, Belgium, and the Netherlands. The colonial territories were incorporated in the internal market-to-be and a special fund for support of their development was set up, the European Development Fund (EDF). The policy towards the former colonies in Africa, the Caribbean, and the Pacific (ACP) remained largely a separate policy, with limited competencies of the European Commission and no influence of either the European Parliament or the European Court of Justice. Cooperation with non-EC members beyond the ACP, i.e. in Latin America and Asia, started in the 1980s and embraced trade issues and financial assistance. However, only in 1993 did the European Community gain the official competency for development policy.

Box 2: European special economic relationship to Africa: from Yaoundé over Lomé to Cotonou

With decolonisation in the 1960s, the ex-colonies were affiliated to the European Community by the Yaoundé Convention (I and II), which granted reciprocal preferences in trade. The first enlargement of the EC in 1973 embraced Denmark, Ireland, and the UK. The former British colonies in Africa, the Caribbean and European ex-colonies in the Pacific were incorporated in preferential treatment. Their strong position, particularly Nigeria's leadership at that time, led to non-reciprocal preferences in market access to the EC market under the Lomé Convention (1975-1980). Successive Lomé Conventions were agreed upon, with increasing conditionalities on human rights, democracy, and the rule of law – and little developmental success in Africa. For long, it has been regarded as a 'show-piece' of European aspirations and 'core' of its external relations. In 2000, the EU and the partner states in Africa, the Caribbean, and the Pacific (ACP), established a new Convention in Cotonou, which introduced the prospect of reciprocal trade preferences, to be negotiated between the EU and sub-regional entities, and leading to Economic Partnership Agreements (EPAs) by 2008.

The gravest problem of EU external assistance was its internal administration: The gap between declaration and action has in the past undermined the credibility of the EC. One severe problem of the European Commission was under-staffing. Funding from the external assistance programmes was – against budgetary rule – used to finance external staff in the EU headquarters. Among the tasks of these external personnel was the administration of tenders – which opened the door for illicit practise and ultimately led to the downfall of the EU Commission under Commission President Jacques Santer (1995-1999). The successor Commission under Romano Prodi (1999-2004) has undertaken substantial reform since 2000. The EC defined six focal areas for its development cooperation: (i) the link between trade and development, (ii) regional integration and cooperation, (iii) support for macro-economic policies and promotion of equitable access to social services, (iv) transport, (v) food security and sustainable rural development, and (iv) institutional capacity-building, with particular emphasis on good governance and the rule of law. Other issues, such as gender, human rights, and the environment, were defined as 'horizontal topics'. Conflict prevention is a particular 'cross-cutting' issue (EC 2000). The impact of the policy document was mixed, but generally best observed in the ACP region (cf. ECDPM/ICEI/ODI 2005).

Box 3: The Role of the EU Commission in European decision-making

The European Commission is responsible for a number of policy-areas that transcend into foreign relations. Within the European Community, the Commission holds the monopoly for EC policy initiatives. For long, it has been the only negotiator of Europe in questions of the Common Trade Policy (cf. EC treaty art. 133, formerly art. 113). Furthermore, the Commission leads the negotiations for trade-and-aid agreements, e.g. the Cotonou Convention, agreements with the ASEAN group, etc. The Commission – at times together with the Council Presidency – represents the European Union where common policies have external implications, such as environment, transport, energy etc. It also participates in the Common Foreign and Security Policy (CFSP), gives advice in questions of enlargement, co-ordinates humanitarian aid and takes part in the work of international organisations (e.g. the OECD or UN organisations)

In foreign and security policy (CFSP), the European Commission plays a limited, but steadily growing role. It does not have the monopoly of initiative in this area and has to co-ordinate its task with the Council's High Representative for CFSP and future EU Foreign Minister, Javier Solana. (cf. Nugent 2001: 297f.).

On the spot, delegations of the EU-Commission are supposed to co-ordinate the negotiation and supervise aid programmes or the implementation of agreements. A process of 'deconcentration' (i.e. devolution of tasks to the country offices) has taken place since 2000, and has improved the disbursement rates of the EC. Delegations' status differs from that of embassies and reflects the special position of EU as neither a state nor 'just' an international organisation. The delegations, however, are performing political tasks and 'are involved in some form of diplomacy, but without a state' (Bruter 1999).

Box 4: The increasing importance of EU Foreign Policy

The Common Foreign and Security Policy (CFSP), established with the Maastricht Treaty in 1993, might pose additional challenges to the coherence of action. Within the European foreign policy system, Member States are acting at the parallel to supranational institutions; their traditions, approaches and tools in foreign policy vary. The EU-Africa summit, for instance, remains suspended due to disagreements between the two regions over how to deal with the political situation in Zimbabwe. The EC is struggling to establish a coherent policy, complementing Member States endeavours and coordinating internally. CFSP, however, has gained increasing weight in the last years; this has made the necessity for a co-ordination of this policy mixture more and more evident. Africa is not the key region for CFSP action, which tends to focus more on the Balkans and the Mediterranean region. Nevertheless, DRC (Bunia/Ituri) has seen the second military mission of the EU, after *Operation Concordia* in Macedonia.

Politically guided action towards African countries remains a challenging task for the EU, given its institutional complexities. The planning is done on the level of the Commission's Directorate-General for Development, while implementation is the task of EuropeAid. The latter was created in 2001 to administratively unify the fragmented development programmes in one Commission service. Legally, separate regional programmes were maintained, however, and it is still a difficult task to mainstream legislation for all development assistance across regions. Additionally, EuropeAid is not only responsible for DAC-able expenditure (i.e. ODA) but all external assistance; the service reports to the Commissioner for External Relations rather than the Development Commissioner. Still, Africa is the one region beyond EU neighbourhood that is explicitly mentioned in the strategic objectives of the EU Commission under Commission President Jose Manuel Barroso for 2005-2009. The Commission work programme for 2005 provides a paragraph on establishing a specific strategy for Africa: 'A dedicated strategy [for Africa] will help the EU's efforts to offer a step change in support to Africa in terms of both quantity and quality.' The UK presidency of the EU in the second half of 2005 might increase political thrust. The suggested effort is seen in the context of the revision of the Community's development policy and the summit on Millennium Development Goals in 2005. This year will therefore also from the Commission's perspective be the occasion to put Africa high on the agenda.

Key reference documents are the EU Treaty; the Development Policy Statement of 2000 (currently under revision); and the regional programming legislation, i.e. Cotonou for the African policy (equally under revision). The Monterrey consensus of 2002 is also of high importance as a benchmark for Member States levels of ODA. The Millennium Development Goals have become of importance to the EU, particularly in its cooperation with Africa; the revision of the development policy is very likely to include an MDG reference. EC policies and reports have increasingly taken the MDGs on board (cf. EU Commission 2003)

Governance / Security

Governance in the overall context of EU external relations follows a broader concept than in the Cotonou framework. The most relevant document is the 2003 communication on Governance and Development, which stipulates that 'rules, processes and behaviour by which interests are articulated, resources are managed and power is exercised in society'. However, for the EU relationship to Africa, the fundamental legal document remains the Cotonou Partnership Agreement (ratified April 2003), successor of a series of Lomé Conventions.

Governance

Box 5: ODA for human rights and democracy

Assistance to democracy and human rights policy is minuscule in the overall assistance of €13.5 billion over a five-year period. However, with increasing political pressure after the end of Cold War, the percentage of funds dedicated to development in the areas of *governance and civil society* has increased and was at 15% in 2000, up from about seven percent in 1996-98 and 0.54% in 1986-90 (Cox/Chapman 1999). Nevertheless, external funding for democracy and human rights will most likely not find the consent of an oppressive regime. EDF means are therefore of limited use when 'politicisation' of development policy is undertaken. The general budget of the EC offers higher chances of creating financial means for these political aims.

The inclusion of norms such as democracy and respect for human rights has long been difficult under the EDF, as the fund is a classical government-to-government agreement with partner countries. These norms became ‘essential elements’ of the Lomé Convention after its mid-term review in 1995. The violation of essential elements – after the following of an outlined procedure in the Cotonou Agreement – can ultimately lead to the suspension of aid. In negotiations, recipient countries managed to a certain degree to water down political demands, despite the fact that the talks were highly asymmetric (cf. Elgström 2000). ‘Good governance’ was ultimately integrated as a ‘fundamental element’ in the Cotonou Agreement in 2000. The concept is more narrowly defined as a management principle; the level of corruption is its sole indicator. The status as fundamental element gives the EU a more limited leverage to suspend assistance. Development in the field of CFSP has an impact on the discussion on development and security within Europe. Since the mid-term review of the Cotonou Agreement (concluded on 24 February 2005), a clause against weapons of mass destruction is included in the Convention as essential element.

Conflict prevention and security

Box 6: Major developments in 2003: European Security Strategy and African Peace Facility

The European Security Strategy of December 2003 has given the debate about the nexus of development and security more thrust. It is seen as offering links between security and development policy, but is also regarded with suspicion by civil society actors in the development field.

A particular EU instrument is the African Peace Facility, set up in 2003 and funded with €250m from the EDF. The fund is meant to provide the AU with funding for peace missions, e.g. in Darfur/ Sudan. The amount is not in accordance with DAC criteria on ODA, but has been requested by African partner governments.

Conflict prevention is an issue for ‘mainstreaming’ in the EU. It is, however, a borderline issue to CFSP and thus a difficult area for the Commission to engage in. Just two staff in the Commission are working explicitly on mainstreaming conflict prevention, one of them concerned with the ACP countries. Despite the very small number of staff, the EU has persistently tried to engage more in the area of conflict prevention. It has been on its political agenda since the early 1990s, hampered by the fact that the European Commission has no clear mandate for foreign policy. Its conceptual discussions have focused on economic cooperation, issues of human rights and democratisation (cf. Smith 2003); the capacity (and legitimacy) for action, however, have been very limited. The establishment of Javier Solana as High Representative for Common Foreign and Security Policy has improved momentum for conceptual work in this area. Development and Security is one of the core discussion areas within the EU. The debate evolves around whether funds are being diverted from development objectives or is the initiative integral part of development endeavours.

Health

Health originally did not feature in the EU’s list of six focal areas of cooperation. It was subsumed under the area ‘support for macro-economic policies and promotion of equitable access to social services’. Under this heading, health and education were explicitly mentioned. In line with the increasing importance of the MDGs (and their emphasis on health and education), the EC has put more emphasis on this sector than could have been expected from the development policy statement. Health care is also considered to be partly a capacity-building issue, and thus reaching into another focus of the EC. Under this heading, the EC funded governments’ projects to plan national and regional health policies, public finance management improvements (increased health spending efficiency), and strengthening of information systems (performance indicators).

Box 7: The EU and global funds

EC support has also been channelled through the Global Fund to fight AIDS, TB and malaria (€60m in 2002, €170m in 2003 on the global level, i.e. not on Africa specifically), and the UNFPA/IPFF for sexual and reproductive health (€32m in 2002 for 21 ACP states). This political behaviour illustrates that the EU institutions do not perceive themselves as multilateral (a position largely held in the UK). The EC rather has elements of a multilateral and a bilateral donor, as also stated the OECD-DAC peer review of EC assistance in 1998.

In the EC policy, the health sector is largely defined by its instrument: Sector-wide approaches (SWAPs) and programme budget support (PBS) (see box 10, below). Some countries, including Ghana, Zambia, Senegal, and Cameroon, are provided with central budget support in the health sector (in 2002). Other countries, like Uganda and Tanzania, have SWAPs which are regarded as successful by the EC, but the Commission has only funded smaller scale projects (in 2002). By remaining in the sector, the Commission guarantees to be kept in the dialogue in this sector. The general policy push of the EC is towards SWAPs and budget support.

Box 8: Education in EU cooperation

The EU does not have a particular mandate in education policy. However, the sector is present in development cooperation. Engagements in the sector of education follow the same line as the health sector. There is a particular drive towards SWAPs and general or programme budget support. For instance, in Tanzania and Namibia, SWAPs have been set up in 2002; Tanzania received €25m of sectoral budget support for primary education (EU Commission 2004b).

Investment climate / Trade

Trade policy is one of the core competencies of the European Union. The Commission is the EU's sole external representation; Trade Commissioners, therefore, have a strong political position. The Doha development round is consequently of particular importance with regard to the EU Africa policy. Critics have accused the previous EU Trade Commissioner Pascal Lamy (in office 1999-2004) of having contributed to the failure of negotiations in Cancún by insisting for too long on the so-called Singapore issues. Rules on investment, government procurement and competition are expected to remain on the Commission's agenda for trade negotiations in the Doha Round under the new EU Trade Commissioner Peter Mandelson.

Box 9: EPAs – New issue in the trade partnership under Cotonou

The current discussion in the Commission is on Economic Partnership Agreements with regions within the ACP group. EPAs shall replace the non-reciprocal trade preferences for the ACP group as a whole and are currently negotiated with six entities within the ACP. The Cotonou Agreement stipulates that EPA negotiations shall be terminated by 2008. Their reciprocal rules will replace the non-reciprocal preferences in market access for ACP countries (the WTO has issued a waiver until 2008). Contrary to the Lomé trade preferences and Everything-but-Arms, EPAs may also include trade in services.

Trade commissioner Peter Mandelson has emphasised that EPAs shall be instruments for development in the partner countries, not classical free trade agreements. Capacity building for trade in partner countries has increasingly been put on the agenda. The concept of EPAs is strongly opposed by some NGOs and only reluctantly accepted by partner countries. In a number of cases, the membership of regional grouping that might be potential EPA-partners overlap with non-ACP countries, notably in Southern Africa (with South Africa not being a full member the ACP group), and in East and Southern Africa, with the COMESA including Egypt (a non-ACP country).

For all Least Developed Countries – thus including African countries – the trade regime in application is non-reciprocal market access. The so called Everything-but-Arms initiative of the EU is in force since 2001. It guarantees LDCs free market access for all goods (but arms) from 2008 on. Until then, few products – bananas, rice, and sugar – fall under distinct market regimes. EBA cuts across regions and thus poses a particular challenge to the EPA negotiations. Contentious issues in the regulations are the rules of origin, criticised for being too strict and thus limiting the impact of trade preferences for EU partner countries. Non-tariff trade barriers of the EU are also under criticism.

Official Development Aid – volume, budget support, and the IFF

The European Union operates under the headline 'external assistance'. The term is broader than ODA as defined by the DAC. Large parts of it embrace what the DAC defines as official assistance (OA), aimed at 'transformation' states. Assistance to Africa, however, is mostly financed through the European Development Fund, separate from the EU budget. The fund was designed to stay under strict

inter-governmental control; the EU-Commission is supposed to administer the fund according to deliberations of the Member States. It is kept out of reach for both the European Parliament and the Court of Justice.

The EDF financing is negotiated between Member States and ACP-states for a term of five years. The Commission represents the Union in negotiations with partner countries, but it is bound by previously taken decisions by Member States on the overall funds available. Financial means for ACP states took an impressively development in the past 40 years: from Euro 581 million in 1957-62, it increased to Euro 13.5 billion for the years 2000-2005 (cf. EU Commission 2002). The relative share of assistance to Africa in all EU spending on external assistance, however, has decreased considerably in the last decade, due to expansion of EU aid programmes in other regions, particularly in Central and Eastern Europe and the Mediterranean (cf. Grimm 2004). When regarding the absolute amount of aid to the ACP, it must also be kept in mind that the number of recipients has considerably increased, as has the number of donors, and that the figures given are absolute figures. From originally 18 recipient countries, the ACP group has enlarged and the EDF now funds interventions in 77 countries. As an effect, the per capita aid has persistently been reduced, if the population development in the recipient countries is considered. The fund financed projects for 55 million people in the early years. Today, population of the ACP countries is more than 500 million people, the overwhelming majority of which in Sub-Saharan Africa. On the donor side, there were originally six EEC Member States. Nowadays, 15 Member States – with a much higher GDP than in the 1950s – are financing the EDF. Taking into account the inflation during these years would once again reduce the impressive increase (cf. Cox/Chapman 1999).

Box 10: The practise of budget support in EU development cooperation

The use of budget support by the EC has increased considerably in the last five years; the Commission intends to further increase the share of budget support in cooperation with Africa (cf. EU Commission 2004b: 95). While it only represented 7.9% of all assistance in 1999, the figure was up to 20% in 2003. In the ACP countries, the reported share was at one third of EC assistance in 2003 (EU Commission 2004b). For the Commission, this position reflects the particular partnership character of the Cotonou Cooperation – and it has the positive effect of reducing the delays in payment, from which EU assistance notoriously suffered in the late 1990s. Progressively, innovative features have been added. New features are designed to accommodate the Commission's results-oriented approach to performance assessment, while safeguarding a certain predictability of financial flows. General budget support by the EC is given in two tranches, one fixed and one variable (Adam et al. 2004). While the fixed tranche is either fully given or withheld, the variable tranche allows for a gradual release of funding, depending on the achievement of targets and indicators. In 2002 around three quarters of variable-tranche funds were disbursed.

The variable tranche consists of two components. One looks at public finance management (and follows efficiency indicators), while the other emphasises social service delivery (and hence follows outcome indicators). At the time of the preparation of the financing proposal agreement is reached between the EC and government on what performance indicators are to be used, and for which disbursement periods. Agreements normally cover three years. Indicators are selected on a case-by-case basis. However, the Commission believes in a focus on outcomes, with the idea that this leaves policy space for the government to define its own policy actions with which to meet the targets. The aim is to use PRSP and associated APRs wherever possible and to work towards a single framework of conditions or indicators with other donors providing policy-related budget support (EU Commission 2004a: 11). This, of course, can lead to tensions between the principles of ownership and external demands.

Within the Cotonou partnership, resources of the European Development Fund (EDF) are to a certain extent co-managed by the Commission and African, Caribbean and Pacific (ACP) countries. The relationship between donor (EU) and recipient (ACP states) is contractual in nature. The EDF is set up for a five year period (currently the 9th EDF: 2003-2007), with a mid-term review taking place (the revised Cotonou Agreement will be formally signed in the second half of June 2005). This has an impact on the payment of more flexible funding tranches which is based on the performance of the recipient country. EU payments are made on the request of partner countries within a commonly agreed framework; planning and reviews are discussed with partner countries. Critics deplore that this practice leads to long procedures, which have a slowing down effect on disbursements of funds, though funding from the EDF has the benefit of high predictability. They also deplore the development of a 'culture of entitlement' on the part of ACP countries (Santiso 2003). The EC tries to respond to this problem by first emphasising essential and fundamental elements of the Cotonou framework (since the

late 1980s) and by increasingly benchmarking against ‘jointly agreed’ outcomes since its major reform in 2001 (see box 10).

Currently, the inclusion of the EDF into the general budget is debated. This would have effects on the involvement of supranational institutions, contributions by Member States, and – potentially – on the involvement of partner states in planning and on the budgetary cycle for funds to the ACP states. The Commission argues for an increase in aid. The major discussion is currently about the Financial Perspectives (i.e. the medium-term budget planning) of the Union 2007-2013. Six states, including Germany, the UK and other ‘net payer’ into the EU budget, have argued for a capping of EU expenditure at 1% of GNI; the Commission has proposed a maximum of 1.24% of GNI.

Box 11: The EU and the Commission for Africa

Beyond ‘the odd presentation or two’, no formal links of communications existed between the Commission for Africa and the EU Commission. Some recommendations of the UK Commission for Africa might impact on the UK position within EU institutions. There is no major shift, however, as the UK has advocated most positions before, e.g. on trade and agriculture.

EU Commission officials felt that the focus should rather be on mechanisms for improving implementation of aid rather than frequently floating new ideas. African partners are perceived as being ‘tired of the noise’, while challenges of older institutions are not adequately addressed. The ‘Commission for Africa’ is much rather perceived as a ‘Blair Commission’. Possibly further accentuated by the limited communication between ‘Brussels’ and the Commission for Africa, EU staff sees a potential tension between the UK Commission for Africa and the African Union Commission.

With regard to new suggestions for the increase of aid, such as the International Finance Facility (IFF), are observed with interest in Brussels (see box 12). However, the Commission does not perceive itself as directly affected by the proposal of creating an International Finance Facility, as financing would be via contributions of Member States. The Commission is rather concerned with ‘creating a political space’ than pushing for concrete proposals. The IFF is carefully described as ‘respectable’ and innovative. After a meeting with the Chancellor of the Exchequer, Louis Michel on 26 February said he was ‘favourably impressed’ by Gordon Brown’s plans for an International Finance Facility and for multi-lateral debt relief. He was increasingly persuaded by the political force of the arguments.

A likely scenario will be the proliferation of global funds (see box 7) and a creation of small IFFs – i.e. a diversion of funding into small specified pots, such as for vaccination. Commission officials see this development as undesirable, as it will lead to a ‘Balkanisation of aid’; it potentially also risks undermining the ownership of African countries. Problems in the aid system which are tried to be tackled via instruments such as direct budget support, might find their way back into the scenery with small, specified funds for donor pet projects. With regard to the Sachs Report, an element of particular interest to the EU Commission seems to be the idea of ‘fast track countries’, i.e. special support for good performers.

Box 12: European implications of the IFF

Even though it is not directly concerned, the political push to promote the IFF scheme among the EU Membership is felt in the Commission. Following the UK position would entail high political risks for the Commission, as the highly publicised debate in the UK leads to a perception of ‘leaders’ and ‘followers’. With too much public noise, support for the IFF from non-UK politicians can be seen as caving in to UK pressure. If true, this is a political quagmire. On the one hand, the European level usually functions via consensus building and ground testing before formulating a proposal, so as not to estrange particular actors and thereby endangering the very legitimacy of joint European action. The UK political discussion, on the other hand, is much rather concerned with creating the right kind of noise and pushing the public debate; the national political culture is more confrontational than in many mainland European countries.

The debate is conceived by some other actors on the European level as being about UK visibility. Political debates on the IFF, it is muted, are diverting from issues such as planning for Cotonou funding (the European Development Fund and its possible inclusion into the EU budget). The discussion is on the agenda, but has not advanced much. Rhetoric of Member States does not always match their concrete contributions to existing funds, a Commission official complained; they do not necessarily put their money where their mouth is.

The IFF raises a number of questions some Commission officials see as ‘not answered’ at the moment: *inter alia* its governance, costs and market reactions to the financing proposal. There is a certain amount of scepticism towards putting financial burden on the next generation. Funding for development cooperation is seen as a matter of political will. An increase of 0.2% of GNP in aid budgets should be possible without additional funding schemes, as laudable commitments by some member states (including France and the UK) on increased funding for development cooperation. However, it is a question in particular for the statistical office of the EU (*Eurostat*), as the decision on how to account for possible IFF funding will have an effect on Eurozone countries to meet the stability pact criteria. In February 2005, Eurostat decided that possible spending under an IFF scenario would be counted in as budget expenditure and thus impact on deficits. Eurozone countries, in particular Italy, France and Germany, are struggling to not surpass the threshold of 3% budget deficit. Additional financial burden is thus seen with scepticism in some European capitals.

With regard to EU internal deliberations, DFID is regarded as a key interlocutor for Commission staff in the Development Directorate-General. UK engagement with and influence on the Commission’s development policy is seen as ‘very strong’. Secondments of staff and technical co-operation were practised in the Commission administration, and the UK was regarded as being able to attract well qualified people in the field of development cooperation. Structural deficits on the European level, however, persist. Commission officials regard the set-up for a European policy as ‘ridiculous’ with 25 bilateral donors plus the Commission. The tone of the UK discussion is somewhat paradoxical in the light of this perception, and might be caused by differences in political culture (see above).

Debt

The European Commission provides external assistance in the form of grants. It therefore does not administer any debt of developing countries; debts are held by EU Member States. Suggestions by the Commission to play an increasing role in the debate on debt relief in the late 1980s were strongly rejected by Member States. Nevertheless, the EC contributed to the HIPC initiative with €460m in 2003.

Some increase in the figures of Member States ODA, i.e. fulfilling their Monterrey commitments, is done via debt relief, which does not mean disbursing more money. Debt relief in some cases is seen as helpful and an instrument with desirable features, such as opening up funding in recipient states on a predictable and long-term basis. It could be very helpful in cases of external shocks or in countries emerging from conflict. However, one should keep in mind, that the countries with highest debt are not necessarily the ones most in need, as Commission officials concede.

Conclusion

All EU positions are based on compromises within the EU membership. As the UK is a (big) EU Member State, it influences the agenda to some extent (and at hindsight in the policy area of development cooperation rather more than other Member States), but cannot by itself fully steer the Union. The EU’s conceptual approach differs from all Member States (and DAC criteria), in that it speaks of ‘external assistance’, or, in the word of the Constitution, ‘external actions’. There is a deliberate blurring in this concept, which goes beyond development assistance and includes ‘soft power’ or ‘civilian power’ foreign policy activities. The EU Commission is therefore often in the defensive in the development community (NGOs on the European and some national levels, plus some Member States, including the UK) which regards this lack of clarity in objectives as problematic.

Summary Table: Likely EU impact of the UK agenda for Africa (for the G8)

1	<i>A Focus on Poverty</i> – The EU understanding of poverty reduction includes MICs; the focus therefore differs from the UK perspective. It is less focussed on LICs in its overall development cooperation, as the geographical dimensions are broader for EU cooperation (The EU outreach is the sum of Member States’ geographical preferences). With regard to Africa, the Commission, however, focuses on poverty reduction in LICs. An Africa Action Plan has been announced by the new Commission under President Barroso for its term of office (2004-2009).
2	<i>Governance and Capacity-Building</i> – Support for capacity-building in the area of trade is one of the EU’s major areas of engagement. Regional integration is seen as one way to foster development. After disappointing results with non-reciprocal trade preferences, governance has been pushed up the EU agenda in the last years (since 2000). High levels of corruption (used as the sole indicator for governance) can theoretically lead to suspension of the cooperation under the Cotonou Agreement. This, however, has not yet happened in practice.
3	<i>Peace & Security</i> – in particular support for the African Union and UN to help prevent and resolve conflict. Interregional relations are important for the European Commission, and continued strong support for the AU very likely. With further advances in Europe’s CFSP, the issue of peace and security will gain prominence and is likely to become the second main policy field (besides trade issues).
4	<i>Health</i> , not seen as a comparative advantage of the EU Commission. However, it is an important area of intervention under the heading ‘access to social services’, and is one of the major areas for EU budget support.
5	<i>Education</i> – (cf. the previous point, <i>health</i>)
6	<i>Growth</i> – described as crucial in development efforts. In particular, the EU is active in infrastructure, transport, and support for capacity building in trade, to improve growth potentials in Africa. Regional integration in Africa is also seen as a vehicle to increase growth (economy of scales).
7	<i>More Trade and Fairer Trade</i> – this is the core of EU development policy towards Africa. All EU Member State initiatives in this policy area will have to be channelled through ‘Brussels’, as trade policy is highly communitarised (e.g. the Commission is the sole representation of the EU in trade issues). With its ACP partners, the EU will negotiate EPAs until 2008. The development dimension of EPAs is still contested by NGOs, but strongly emphasised by the Commission (in particular by EU Trade Commissioner Peter Mandelson). Non-reciprocal trade preferences are to be phased out – which might harm some African countries. The question of sugar exports is of particular importance to a number of African (and Caribbean) countries. The EU also has an interest in concluding the Doha round and is committed to liberalising trade. However, its concessions in agricultural products are likely to be limited. Particularly important are two issues related to trade: <i>rule of origin</i> (relatively strict in the EU, e.g. in Everything-but-Arms), and <i>non-tariff trade barriers</i> (EU consumer protection policy, e.g. sanitary and phyto-sanitary measures, SPS). Commissioner Mandelson has acknowledged the importance of these issues and announced a review. Far-reaching decisions, however, are unlikely.
8	<i>Increase aid</i> – the EU Commission will push for more external assistance, if the EU budget is not capped at 1% GNP. EU enlargement, however, has ‘diluted’ European interest in Africa among the EU membership. Africa is likely to be lower on the agenda than, say, the immediate neighbourhood (the Mediterranean and Eastern Europe). EU funding for Africa is likely to remain around the current level.
9	<i>Improve the quality of aid</i> – the improvement of <i>aid delivery</i> is at the core of the EU reform since 2000. The discussions on the quality of aid, however, are on different levels than in the Member States. Emphasis is put on the partnership principle. However, the Commission is under pressure to speed up disbursements. For both reasons, budget support is likely to increase even further.
10	<i>Front-load aid</i> – there is no EU position on this. The EU as an institution is not allowed to make expenditure that is not previously provided for by own income or Member States’ contribution. The EU cannot make debts.
11	<i>Cancel Debt</i> – The EU does not have a mandate in debt policy. Its assistance is given as grants in the overwhelming proportion. Debt policy and debt cancellation remains Member States’ competence.

Some further points, beyond a reaction to the UK Africa policy

Cotonou Partnership – The new framework for EU-ACP partnership was signed in Cotonou in 2000. It is meant to be a valid framework until 2020. However, the once ‘show piece’ is running out of steam and is under severe reform pressure. EPAs and the question of the EDF will be difficult and contentious issues within the Union and among the EU and its partners. A programme for Africa, announced by the Commission in its political programme for the next five years (2004-2009), could prove to create some common ground within the Union. The Commission, however, will have to be careful not to create the impression to just ‘follow suit’ any one member state (e.g. the UK government) as it would risk alienating other member states. EU enlargement has generally decreased the particular focus on Africa.

Promoting regional integration is one of the key areas in which the European Union engages. It is seen as a major instrument for peaceful development – and an area of particular EU expertise. However, initiatives such as the AU and NePAD cut across the EU’s ‘regional programme’ for the ACP. The same holds true for regional organisations in the context of EPA negotiations. It is a challenge for the EU to adjust its financial and political instruments, which are either following a regional logic (‘region’ defined by the EU) or cut across regions (like EBA) and thus decrease incentives to engage in a regional dialogue.

Effective aid co-ordination under the auspices of the Commission has met fierce resistance from the Member States in the past (cf. Urban 1997; Grimm 2003). The Monterrey summit is regarded as a success for further coordination among EU Member States – and some sort of benchmarking of development endeavours. However, an extended competence of the EU-Commission in the co-ordination of *national* policies regularly is rejected with reference to the severe problems the Commission already faced in managing the *community* aid, its very task. The EU will remain a ‘multi-level system’. It is thus difficult to steer (due to the lack of a clear political centre) and consequently slower in its reactions than nation states.

Further integration in Europe? – The ongoing debate on the EU Constitution will have implications for the EU’s role as an international actor, i.e. also on its role in Africa policy. The Constitution needs to be ratified by all EU Member States. Several states have called referenda, some of which binding, some consultative. Lithuania, Hungary, and Slovenia have already ratified the constitution by Parliamentary vote. Spain has held the first (successful) referendum. The next referenda will be more difficult (France, 29 May; Netherlands, 1 June; Denmark 24 September). Public opinion in several countries is ‘Euro-sceptic’ and the ratification process is likely to fail in at least one country. The consequences of a No-Vote will depend on the number of ‘No’s and the respective weight of the rejecting country. Irrespective of the uncertainties in the ratification process, discussions on the set-up of the administration for the European Foreign Minister – provided for in the Constitution – have already started. Debates on the European External Action Service will prove to be fierce as they will determine the range of manoeuvre for the future European Foreign Minister. In particular, the European Parliament will fight hard to get more control over external relations. Its prospect of success, however, is rather small, as Member States will be equally weary to concede core national functions in foreign policy to the EU level.

Sources

Informal discussions with staff of the EU Commission (DGs Development, External Relations and Trade), both in the specific context of this study and in previous work.

Press articles from:

European Voice (various issues), and press agency article (*Agence Europe; EU Observer*)

EU documents

EC (2000): 'The European Community's Development Policy – Statement by the Council and the Commission', Brussels, 10 November 2000.

EU Commission (2002) 'Guide to the programming and implementation of budget support for third countries', Brussels.

EU Commission (2003) 'Variable Tranches in General Budget Support: Implementation Guidelines and Evaluation', Brussels.

EU Commission (2004a) 'Note to the European Development Fund Committee', 381st Meeting of 30 March 2004, Brussels.

EU Commission (2004b): 'Annual Report 2004 on the European Community's development policy and external assistance', Brussels, December.

EU Commission (2005): 'Strategic Objectives 2005-2009. Europe 2010: A Partnership for European Renewal – Prosperity, Solidarity and Security', COM (2005) 12.

EU Commission (2005): Commission work programme for 2005, Communication from the President in agreement with Vice-President Wallström, COM (2005) 15.

Bibliography

Adam, C., G. Chambas, P. Guillaumont, S. Guillaumont Jeanneney and J.W. Gunning (2004) 'Performance-Based Conditionality: A European Perspective', *World Development*, June 2004; pp. 1059-1070.

Bruter, Michael (1999): 'Diplomacy without a state: the external delegations of the European Commission', in: *Journal of European Public Policy* 6, pp. 183-205.

Cox, Aidan / Jenny Chapman (1999) 'The European Community External Cooperation Programmes – Policies, Management, and Distribution', London: ODI.

ECDPM/ICEI/ODI (2005): 'Assessment of the EC Development Policy – DPS study report', Brussels, 18 February 2005, www.europa.eu.int/comm/development/body/tmp_docs/ecdpm_report.pdf

Grilli, Enzo (1993) *The European Community and the Developing Countries*, Cambridge: Cambridge University Press.

Grimm, Sven (2004) 'Aid disbursement and effectiveness', ODI Briefing Paper on European Development Cooperation to 2010, London: Overseas Development Institute.

Grimm, Sven (2003): 'Die Afrikapolitik der Europäischen Union – Europas Rolle in einer randständigen Region' [*The Africa policy of the European Union – Europe's role in a marginal region*], Hamburg: Institute for African Affairs.

Hilpold, P. (2002) 'EU Development Cooperation at a Crossroads: The Cotonou Agreement of 23 June 2000 and the Principle of Good Governance', *European Foreign Affairs Review* 7; pp. 53-72.

Holland, Martin (2002) 'The European Union and the Third World', Houndsmill.

Nugent, Neil (2001): 'The European Commission', Basingstoke: Palgrave.

Santiso, C. (2003) 'Responding to Democratic Decay and Crises of Governance: The European Union and the Convention of Cotonou', *Democratization* 10 (3); pp. 148-172.

Smith, Karen E. (2003): 'European Union Foreign Policy in a Changing World', Cambridge: poliy.

Urban, Marion (1997): 'Die Koordinierung der Entwicklungszusammenarbeit unter EU-Gebern' [*Coordination of development cooperation among EU donors*], Frankfurt: Peter Lang.

Annex 8: The International Finance Facility (IFF): progress, challenges and options

Andrew Rogerson

Introduction and Outline

The purpose of this paper is to review the IFF proposal as it stands in late February, 2005, chart its progress in the ‘court of public opinion’ and in the donor community, and summarise some of the main challenges ahead for its implementation in the months to come. It is based on previously published views and statements from opinion makers, not new research.

We start by revisiting the main features of the proposal, focussing not only on the financial engineering involved but especially also on the IFF’s likely implications for development assistance to low-income countries.

We consider the views expressed by the official development community so far (whether as potential sponsors and/or implementers of the IFF), as well as those of advocacy organisations in the UK, and the pros and cons of the main arguments deployed.

We then review the ‘pilot’ scheme designed to test the IFF, focussed on child immunisation (IFFIm), which has found active sponsors and is now close to implementation-and draw some tentative implications for scaling-up to the larger IFF level.

Finally we assess what main challenges still lie ahead before the IFF can become a reality, and speculate on, rather than analyse-as this depends on a multitude of both political and technical factors, many of which are beyond our grasp now- the possible timeline of next steps in 2005.

Reminder of the main features of the IFF proposal

Box 1: How the IFF works: 10 points

1. Donors make legally binding multiyear pledges to IFF.
2. Each pledge is contingent on high-level conditionality.
3. IFF issues AAA-rated bonds more than 100% backed by pledges.
4. IFF uses bond proceeds to fund grants to existing official aid agencies.
5. Aid agencies are responsible for disbursements to beneficiaries.
6. Donor payments also fund bond interest and IFF administration
7. Pledges (contingent, arms-length) may qualify as off-budget.
8. The scheme is expected to last 30 years.
9. For the first 12–15, aid grants greatly exceed donor payments.
10. Thereafter, aid grants cease as bonds are retired.

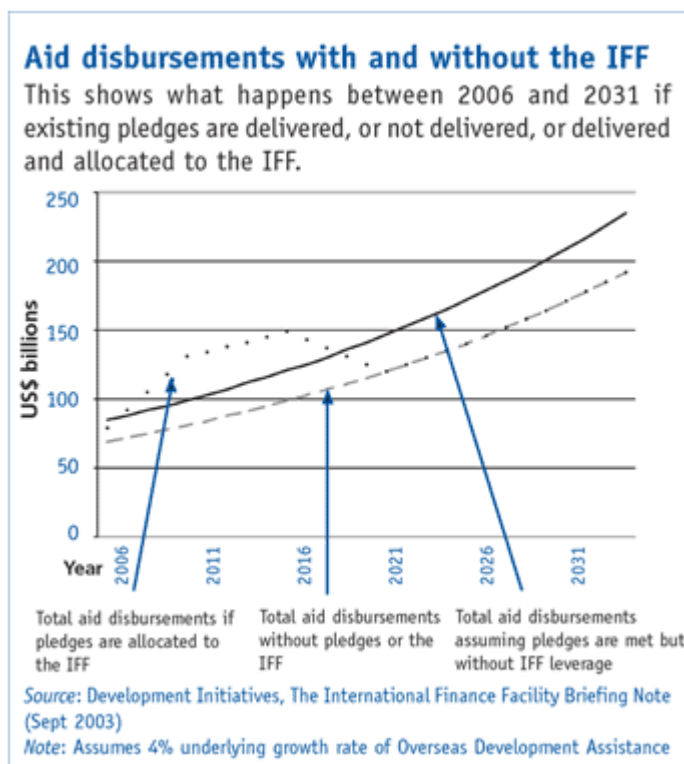
Chancellor Gordon Brown proposed in 2003 not just that international aid efforts should raise to the challenge of meeting the UN’s Millennium Development Goals, but also that funding to poor countries be more than doubled right away, with an extra US\$50 billion a year mobilised from now until 2015. These funds are over and above what can be mobilised through regular increases of ODA.

This scheme – dubbed the International Finance Facility (IFF) – uses bond markets to bring forward cash for development faster than aid budget increases can realistically materialise. Irrevocable rich country pledges for future years are securitised by a new entity that issues long-term bonds with this solid backing, subject to some exclusions or ‘high-order’ conditions ruling out aid in given circumstances.

The proceeds of these bond sales are then handed out as grants to existing development agencies, exclusively for antipoverty programmes in low-income countries. Several years later, rising (hopefully, see below) aid budgets will be used to pay off bondholders. A skeleton summary of the major features of the scheme is given in Box 1.

Time shift in ODA. In the express intent of the scheme’s proponents, the IFF and ‘regular’ ODA are complements, not substitutes. Assuming that real GNI in donor countries continues to rise, that ODA: GNI ratios do not fall significantly anywhere and indeed rise, as pledged at Monterrey for example by the EU and the US, for several major donors, the IFF effectively appropriates a portion of this increase and redistributes it into earlier years at the expense of later ones.

Box 2 presents this time shift in graphic form, using an assumed trend rate of ODA increase of 4%:



Obviously this relationship between underlying levels of ODA, higher levels of disbursement made possible by IFF in the early years, and (relatively) reduced levels of disbursements later, as bonds are repaid, is crucial to the viability of the scheme. In the chart above, this is represented by the areas between the dotted and bold lines, to the left and right of their intersection, hypothetically, about 2018. This relationship is affected by the phasing of the disbursement period, the maturity and interest structure of the bonds, the level of collateral required and other technical factors. And it is crucially affected by the extent to which ODA increases committed since Monterrey both materialise and are sustained over time, with and without the IFF.

As the future of global or even national ODA cannot be known with any certainty beyond the very short term, different opinions on the merits of IFF are often traceable to different, but equally defensible, perspectives as to the future volume of development aid. Countries that have already attained the 0.7% UN target and are considering only the modest extra volume afforded by a steadily rising GNI will tend to view the IFF differently from those who are committed to proportionately larger increases, like the European members of the G8 and especially the UK and France. Having said that, Sweden and the other Nordics have moved from a position of scepticism on the IFF – seeing it as a substitute for movement towards 0.7% – to one of support, calling for its implementation by those countries not yet at 0.7%. Sweden’s commitment to participate in the IFFm is a strong indicator of this symbolic support for the IFF. Japan, having no immediate objective of raising its ODA: GNI ratio substantially from present levels, is likely to fall in the former category-though this perspective could change over time.

More generally, those donors who project a stagnant pool of global ODA for the long term are more concerned that overall assistance may dip temporarily (as illustrated in the hypothetical scenario in Box 2) before recovering, or even fall more dramatically as IFF bonds reach maturity in the outer years. Conversely, those who believe that ODA's trend growth rate will be even faster than 4% see the IFF as a good way to lock-in likely additional commitments, without detracting from existing ODA.

Criteria for allocation. Another deliberate design feature of the IFF is its designation solely as a vehicle for mobilising funds faster, not as a new donor agency. The IFF is supposed to rely entirely on established multilateral and bilateral aid channels- the immediate recipients of IFF grants- to deliver funding to ultimate beneficiaries. It would need to enforce some additional 'higher-order' conditions for IFF eligibility, such that, for example, countries in protracted arrears to the IMF may not receive funding. These are reasonable precautions to limit risks and improve bond attractiveness. They also help make IFF financing contingent on events outside any individual sponsoring government's control, an important feature as we shall see below. They do not, however, amount to comprehensive aid allocation criteria.

As of the time of writing, it is not yet clear what such detailed allocation rules might be and how they would be administered. We know that IFF resources are to be prioritised for low-income countries (using the IDA income cutoff or an alternative definition), fully untied, and intended for poverty reduction purposes as defined by the Millennium Development Goals. This leaves a wide array of potential choices on how IFF funds should be prioritised across aid agencies, countries, and purposes or themes.

Clearly, any aid distribution agencies (including JICA, potentially) who might offer to handle IFF funds would have to pass, at the very least, broad tests on effective aid delivery and accountability, similar in inspiration to good-practice checklists used, say, in DAC peer reviews. But a further level of selectivity is likely to be needed among competing uses, based on defining bundles of investment proposals which the governance structures of IFF can assess against specific approval criteria.

Governance. These governance arrangements are themselves only loosely defined, as yet. Executive control is likely to be vested in a compact IFF Board, composed mainly of representatives of sponsoring governments, with minority representation of selected recipient governments as well as other donor interests and civil society. Voting rights may derive from financial contributions to IFF, plus other weights for non-contributors, and might be structured so as to allow blocking minorities for given purposes.

The Board would probably be supported by a small secretariat with limited managerial discretion, and be subject to political oversight and strategic guidance from a larger overarching body, meeting periodically. The core treasury functions related to bond issuance and servicing could be subcontracted to established competent groups, for example in the World Bank, to contain transaction costs and enhance financial market credibility. Advice on policy matters could likewise be received from external panels linked to the DAC and other existing sources of expertise.

Investment choices and redistribution. Within these broad parameters, individual sponsors pledging to the IFF might have substantial discretion, but not total control, over the end-use of funds generated by their own pledge streams. For example, each sponsor might propose a multiyear program of support to specific countries and through specific agencies, including its own, up to the net value of its discounted contribution. Then the Board could simply decide to accommodate any and all such requests in full within this funding authority, after conducting some basic due diligence on eligibility criteria.

Conversely, the Board could also decide, after adding up all proposals, that there is too much concentration of IFF activities in certain countries or themes, not enough balance across implementing agencies, or some other policy concern within its mandate which justifies modifying or rejecting some submissions. Country concentration, of course, has both development connotations but also market risk ones, and IFF will need to monitor at least threshold levels of exposure.

This is why IFF could perhaps be a powerful force for re-distribution of aid, hopefully to good effect. Deliberate redistribution, if it is permitted, could conceivably trigger seismic changes in the (ostensibly)

non-competitive aid industry. Today, large funding trade-offs across two or more multilaterals are virtually unknown, and no authority can adjudicate between the claims of two or more bilaterals.

The principles and process for prioritising IFF grants remain crucial unknowns at this point, including what decision-making role IFF recipient countries would have either within the Board or upstream of it. This could range from modest consultation rights on sponsor-led choices to full power of initiative on investment proposals meeting specified criteria.

Even if IFF's deliberate re-distributive powers turn out to be very limited, however, it is important to note that the global pattern of aid flows to recipients would still change fundamentally after an IFF launch of any significant size. This is because proposals for IFF consideration could never materialise in precisely the same weighted geographic and aid agency proportions as apply to existing ODA. For example, ODA today is shaped partly by several donors who are unlikely to join IFF, and goes to many IFF-ineligible recipient countries. Bilateral ODA, unlike the IFF, is also dominated by spending which either does not necessarily transfer resources to recipients (e.g. aid administration, technical cooperation and debt relief) or is not structurally related to the MDGs (emergency relief and humanitarian interventions).

At the very least, combined future flows including a substantial IFF will be much more concentrated on low-income countries than is now the case, and much less tied to national sources of supply. Possibly, the heavy imbalance between funds managed by bilaterals and multilaterals would start to shift in favour of the latter. The composition between, say, social sector spending and directly growth-supporting investments would also change, but in ways that we cannot predict yet.

*Scoring rules...*In any case, the IFF's architects will also need to show to scorers in national and EU statistical offices that an individual government's control over the end-use of resources generated by its own pledges is not absolute. Were it so, the scorers would count the entire stream as current-period government spending for national accounts purposes, used for example to monitor public deficit targets. This would undercut the scheme's financial attraction for many donors.

This question of off-budget financing and public finance rules dominated discussion of the IFF proposal in its early stages and remains a necessary condition of success today. Regulations in several countries, including Japan, have been cited as ruling out any off-budget interpretation of IFF pledges in these jurisdictions, and this view may prove to be authoritative. However such opinions can not be based on assessing detailed IFF governance specifications, because, as we have noted, these have yet to be decided. This is one reason why the effective launch of the IFF-IM prototype, discussed below, would generate much more confidence on this point.

..And the acid test of development results. From a development perspective, finally, the larger consideration is whether the social rate of return on MDG-based development programs funded by IFF can safely be assumed to be higher than the cost of raising funds. A positive answer seems plausible, based on extensive evaluation experience with other aid programs. Average returns over large MDG-based portfolios, like the World Bank's, are easily into double digits, whereas the likely cost of IFF capital is significantly lower, comparable to G7 sovereign funding DFID estimates that rates of return for the IFF-IM will be between 20-90%. Ultimately, however, development outcomes depend on the specifics of the allocations IFF will make, and the relative effectiveness, in poverty reduction terms, of the agencies it supports. This takes us back to the importance of IFF spending choices, rather than the technicalities of how it raises money, important though these are.

Progress to date of sponsorship and donor views

Table: Reported Status of support (end-Feb 2005) Sources: press statements, UK Treasury informal assessments.

<i>Country</i>	<i>IFF</i>	<i>IFF-IM</i>
<i>UK</i>	<i>Yes</i>	<i>Yes (\$1.8 billion)</i>
<i>France</i>	<i>Yes</i>	<i>Yes</i>
<i>Germany</i>	<i>Yes as to principle</i>	<i>Interested</i>
<i>Italy</i>	<i>Yes</i>	<i>Interested</i>
<i>Japan</i>	<i>Reserved</i>	<i>Possible interest</i>
<i>US</i>	<i>Negative</i>	<i>Reserved</i>
<i>Canada</i>	<i>Reserved</i>	<i>Possible interest</i>
<i>Sweden</i>	<i>Yes as to principle</i>	<i>Yes</i>
<i>Spain</i>	<i>Interested</i>	<i>Interested</i>
<i>Ireland</i>	<i>Reserved</i>	<i>Possible interest</i>
<i>Austria</i>	<i>Interested</i>	<i>Interested</i>
<i>Belgium</i>	<i>Not known</i>	<i>Possible interest</i>
<i>Norway</i>	<i>Reserved</i>	<i>Possible interest</i>

In terms of the full IFF scheme, only the UK and France have given full support both as to the principle of its usefulness and to (unspecified levels of) pledge funding to make it a reality. France's commitment has recently been linked to making parallel progress on new sources of taxation (Landau Committee), which would be used to smooth over any 'dip' in the outer years in ODA due to IFF bonds maturing. The UK considers the two issues separable: whilst new resources should be developed with all due speed to complement the IFF in the longer term, the IFF is fully justified on its own merits, on rate of return grounds if nothing else; is technically advanced; and implementation should not be delayed while further work is done on the taxation proposals.

Germany (ref to separate note by Sven Grimm), openly supports both the principle of the IFF, and also France's interest in new tax sources, but has not linked the two rigidly. It has not necessarily confirmed its financial participation to the IFF either, however. Divergent positions on this point between the Finance (still reserved) and Development (strongly supportive) ministries have yet to be reconciled.

Italy, since December 2004, openly supports 'both the principle and the implementation' of the IFF (statement of Minister of Economy Siniscalco in London). It has yet to confirm a financial stake of its own in IFF, but has raised no objections that put this in serious doubt. Its contribution, like that of other Eurozone countries, would in any case depend on final IFF arrangements and their accounting treatment by Eurostat.

[Sweden has – see below]. Japan's formal statements, dating back to the September 2004 Bank-Fund Annual Meetings, have been extremely reserved both as to the principle and its (apparent) applicability in the Japanese institutional context. Canada has also had to contend with domestic accounting issues, beyond which it may still be supportive in principle, as Paul Martin, then Finance Minister, was at the outset of the IFF in 2003.

The only country, finally, which has been overtly negative, most recently in Treasury statements following the February 2005 G7 Finance ministers meeting in London, is the US. Previously, its stated position was that the IFF was neither necessary in the US context, given the sharp upswing in aid budgets under the Bush administration, nor likely to be feasible there in the light of public finance rules set by Congress. Undersecretary Taylor went further in January, criticising the IFF venture overall as a distraction from appropriations-based aid and the need to raise its effectiveness. A softening of the US rhetorical position cannot be ruled out in the months to come, though an early financial participation probably can.

Several non-G8 European donors initially criticised the IFF as a potential ploy to allow less generous countries to shirk their obligations towards the UN's 0.7% goal (see footnote 3 above). The force of this criticism weakened considerably when first France, then the UK, adopted firm timelines for reaching this target. Nonetheless, as the aid budgets of the Netherlands and Nordics, in particular, long ago

reached a plateau in terms of their share of GNI (see section 2 above) and now grow steadily in line with GNI, their scope for allocating a surge of new resources to IFF is limited. However, Sweden has now publicly come out in support of the IFF and committed to participate in IFFIm as a symbol of their support. A statement by Nordic development ministers⁶⁵ makes clear that they see IFF mainly as a transitional device useful for donors who are moving towards the 0.7% target.

As the above table indicates, a number of donors who have not entered into serious discussions on the IFF itself, and even some who have expressed strong reservations, have nonetheless shown varying degrees of interest in the pilot scheme, linked to child immunisation via the Vaccine Fund (linked to GAVI) and UNICEF, discussed below. This apparent dichotomy is partly explained by the strong political appeal of the child vaccination objective and by its crystal-clear logic for frontloading, which does not apply equally to broader-based aid. Partly its support may be boosted because the smaller scheme's management and distribution channels are now quite clear in advance, and the individual agencies chosen have solid international reputations. Approval from the scoring authorities, like Eurostat, is likewise expected in weeks, not months. And finally, donor interest is attributable to the scheme's manageable size and concreteness—even a very small player could be a visible part of a substantial enterprise with a noble and readily monitorable goal.

For both the IFF and its smaller precursor, IFFIm, there will be a quorum or minimum number of sponsors required, so that no individual government has a dominant position in the scheme's governance. Control needs to be shown to be at credible arms' length from any individual sponsor, for reasons already explained. This could not be achieved with less than three or four sponsors, more if some are much smaller in size than the leading one or two. A larger number would anyway be better for reasons of political legitimacy and visibility.

In addition, of course, there is the need to reach substantial financial scale. The UK's already announced contribution to IFFIm of \$1.8 billion (gross) pledged over 15 years would generate disbursements of \$1.3 billion over the same period, of which nearly \$1 billion would go to disbursements on immunisation over the first five years, 2005-2010, or roughly one-quarter of the program's initial goal of \$4 billion. The broader IFF would be aiming to build up to disbursements of \$50 billion *per year* in several stages by launching a stepped series of 15-year bonds. Even annual pledge levels 'only' ten times higher than committed for IFFIm would already absorb roughly 10% of UK ODA in 2005/6, assuming the UK chose to shoulder the same proportion of overall pledges. Spreading the load more widely would therefore be preferable, if possible.

Concerns with IFF expressed by UK civil society

The early history of the IFF was one of validation of its feasibility from a fundraising perspective with financial and legal advisors experienced with bond markets, and subsequently in bilateral exchanges between the UK, French, and other Treasuries in the context of the G8, the EU Finance Ministers (ECOFIN) and the semi-annual meetings of the World Bank and IMF.

It was not until the second half of 2004 and even more recently, with the advent of the 2005 UK G8 and EU presidencies, the forthcoming UN special Assembly on the MDG and its preparatory report by Jeffrey Sachs (strongly endorsing both the concept of frontloading of aid and the IFF as such), that UK civil society began to engage on the IFF and recognise the need for a coordinated view. The difficulties of discussing future IFF governance arrangements in any detail with government officials, while the latter were trying to be as inclusive as possible for new funding sources by not constraining governance options, also meant that few advocacy organisations had a clear sense of the stakes at hand.

Within the major NGOs, several, like Oxfam, were early and clear supporters of the IFF principle. Others, notably Christian Aid, were openly uneasy about the possible trade-off between larger aid flows in the early years at the expense of a possible reduction later, and were therefore sceptical of IFF. Echoes of the concerns of the more generous donors, that IFF might mean a weakening of the commitment to the 0.7% targets, were also in evidence, and these concerns have also abated in line with the UK and

⁶⁵ Statement of development Ministers of Denmark, Norway, Sweden and Finland, 2004, see bibliography.

France's more progressive stance on the 0.7% target. But other concerns-such as the role of civil society and aid recipients in steering the use of IFF funds, as against the suspicion that the 'usual suspects' like the World Bank would be entrusted with the money, were never very far from the surface.

With the launch of the Make Poverty History campaign (MPH) which focuses on aid volume and quality, debt relief, and trade justice, there has been more effort to coordinate civil society views and a series of consultations with the UK Treasury were launched on the subject.

A draft position paper prepared for MPH⁶⁶ recently summarises mainstream views as follows. First, the IFF is recognised as bringing the potential benefits of (1) accelerating progress towards the MDG (2) More predictable and stable aid flows, making it easier for recipients to plan for the long term and (3) more cost-effective aid, especially because IFF aid would be 100% untied. to national sources of supply and (4) more focus on poverty-reducing aid, again by the specific mandate of IFF as against the more diffuse objectives of ODA.

Yet MPH has several concerns, one of which is the already-discussed fear of a falling off in flows as bonds need to be repaid after 2015. MPH fears that on current trends up to one third of aid would be spent on IFF repayments by 2032. MPH also worries, along with the more progressive donors, about the risk of substitution between current aid budgets and the IFF, and the disincentive for governments of moving closer to 0.7%, also discussed above.

Beyond this, MPH is concerned with the potential of IFF for reinforcing excessive leverage and conditionality, by increasing volume backed by standard aid conditions such as those of the World Bank. It points out, as we did in the first part of this paper, that IFF governance and allocation principles remain to be defined. It draws the further conclusion that there is a risk that in order to encourage some sponsors to join, some positive principles behind the IFF, especially transparency and accountability, might be sacrificed. Finally, MPH is concerned that if, as now seems likely, the IFF will raise significantly less money without the US and Japan than originally planned, it would meet only a very small part of the MDG funding gap.

In terms of advocacy targets, the coalition proposes that countries who sign up to IFF should adopt clear timelines for reaching 0.7%, that IFF governance must be built around country needs and priorities, and foster transparency and accountability; and that complementary changes are needed to aid architecture along with the IF, in particular and end to economic policy conditionality.

This is a consensus document, and individual members of MPH will undoubtedly want to go further in several respects, especially in calling for commitments to guard against falling ODA in outer years. It is had to imagine any donor, even the UK, being able to make an irrevocable commitment on that point, however.

Finally, as with the concern with conditionality, a host of concerns with the effectiveness and fairness of aid as it is now practiced by bilaterals and multilaterals are likely to surface as part of the discussion, whether the IFF has the power to alter such behaviours (as it might in a redistributive or 'competitive' model based on progressive criteria), or not.

There have been a number of other preliminary independent assessments of the IFF concept, including the academic and think-tank views already cited. Perhaps the most substantial such assessment was provided by the World Bank and IMF, reporting the September 2004 Development Committee on aid effectiveness, the scope for frontloading of aid, and the prospects of a number of new proposals designed to raise new resources or accelerate their mobilisation.

It concluded that the IFF was both viable and the closest to implementation of such possible arrangements, whilst highlighting several financial and governance arrangements that still need finalising. It also pointed out that there were potential variants and complements of the IFF model that could be used in conjunction with the existing IFIs. It is expected that the Bretton Woods institutions will continue to monitor and assist in the IFF as it moves towards implementation.

⁶⁶ MPH position paper on development finance mechanisms, electronic draft dated 2-2-05 (need to source UKAN final)

International Finance Facility for Immunisation (IFFIm)

The IFFIm proposal was prepared by the Global Alliance for Vaccines and Immunisation (GAVI), a partnership involving WHO, UNICEF, the World Bank, the Gates Foundation, the Vaccine Fund, several governments in industrialised and developing countries, as well as vaccine industry, research institutes and NGOs. It is designed to test the viability of an IFF-like mechanism, by focussing on ‘front-loading’ spending for scaling up immunisation coverage.

Funds would be used to offer secured financing (advance contracting) for priority vaccine supply for both new and underused vaccines, as well as boosting national health systems to deliver expanded immunisation. A target figure of \$4 billion in net disbursements could result in more than 5 million children saved over ten years, and averting up to 5 million future adult deaths from liver disease linked to Hepatitis B. Interventions would focus on 74 countries with the highest disease burden.

The nature of frontloading of benefits in the case of vaccines is striking. Scaling up of expenditure in early years allows both coverage rates and industry investment rates to rise, each of which with long-term beneficial knock-on effects. Community links, especially in harder-to-reach areas, are built up that will support future immunisation. Inherently, of course, even the single-campaign benefits preserve human capital on a massive scale, as significant disease burdens can be permanently averted by even one-shot immunisation. On the industry side, IFFIm covers the gap between the long-term stable price and what it would otherwise be during its introductory phase. Frontloading also enables a polio vaccine stockpile to be built up ahead of the phasing out of the oral polio technology from 2010.

The existing governance structure of GAVI and its financing arm, the Vaccine Fund, are to serve to make allocation decisions and country disbursements of funds generated from IFFIm bond sales. These involve consideration of country-driven immunisation strategies, compatible with national planning and budgeting, giving priority to areas which are adequately frontloaded. UNICEF would coordinate vaccine procurement and delivery, and provide technical support, while strengthening of national delivery systems would be the responsibility of national governments under monitoring standards applied by the Vaccine Fund.

The Vaccine Fund would also manage a special purpose vehicle (SPV) created to raise funding on capital markets, backed by donor pledges (see earlier section for possible donor participation). This is likely to be a nonprofit entity established in the UK. The World Bank is likely to act as a treasury agent for the SPV for organising the underwriting and issuance of bonds, but will not be responsible for the subsequent use of funds.

Donor governments would enter into legally –binding agreements with the IFFIm pledging funding streams for 15 years, subject to the high-level conditions that excludes financing for countries that are in protracted arrears with the IMF.

The IFFIm scheme differs from the broader IFF proposal in two substantial respects. First, by its very nature, frontloading of immunisation is closer to a humanitarian objective than a general economic development goal-though of course it has major economic impact in its own right. The IFFIm \$4bn model anticipates that an additional 5m lives would be saved by 2015, but without frontloading the impact would be much less, at just 2.8m additional lives by 2015. Because it can be justified, ultimately, by saving even the lives of one cohort of children, in the worst case scenario where continued efforts are not sustained, it does not have to demonstrate long-run sustainability, good local governance and face other aid absorption questions appropriate to broad-based poverty reduction, growth and infrastructure support. (Nonetheless its proponents have investigated the channels of sustainability of the initial frontloaded investment). The IFF itself will need to make investment decisions based also, in part, on such considerations.

The second and related issue is that the IFFIm benefits essentially as single grant making process and intermediary (the Vaccine Fund) and accepts its method for allocating resources to countries-and its proposed relationship to UNICEF for sourcing the drugs. Neither of these features is problematic, it seems, in the specific IFFIm context, given the sound reputation of these agencies. But this example does not provide a guide, unfortunately, as to how the broader IFF could allocate money *across*

potentially competing uses, countries, and agencies, each with their political champions. The discussion on allocation criteria and processes, introduced above, needs to be engaged.

Next steps for IFF implementation

Predicting the course of events for IFF is at best an imprecise science as, among other things, fundraising discussions are proceeding in parallel with development of governance arrangements, but each is to some extent contingent on the other, and external factors beyond the sponsors' control (notably the ruling on accounting issues by Eurostat) have to be factored in.

In the immediate future, the IFFIm proposal is being finalised in full contractual detail and submitted to the UK's statistical office (ONS), and through the latter to Eurostat-as national accounts definitions are standardised at the level of the latter, even for non-Eurozone EU members. A ruling by Eurostat is expected by May, which would then set the stage (subject to secured funding) for IFFIm to be launched in time for the Gleneagles summit of the G8.

With regard to the broader IFF proposal, four reinforcing series of meetings, in addition to the demonstration effect of the IFFIm, are expected to continue forward momentum:

- In the G7/G8 context, the UK-chaired Finance ministers' meetings in April, June (ahead of Gleneagles) and September
- In the World Bank-IMF context, stocktaking at both the spring (April) and Annual (September) meetings of the Development committee and IMFC
- In the EU context, regular meetings of ECOFIN, the European Council (June),and later, during the UK Presidency of the EU
- In the UN context, ECOSOC in June, followed by the UN General Assembly in Special Session (UNGASS) dedicated to progress on the MDG, in September.

Other important milestones will be the publication in mid-March of the Africa Commission report, discussed elsewhere in ODI's report to JICA, which will make a strong case for the IFF in that context, and the report, probably I June, of the International Task Force on Global Public Goods, which will do likewise.

The EU dimension is unusually important in the light of growing efforts to reach agreement on the phasing of ODA by member states, building in the 2002 agreement in Barcelona to reach a minimum of .33% ODA/GNI, implying an average of at least 0.39%, by 2006. Further thresholds of, for example, .47 to .51% by 2009 and 0.7% attainable by 2013-2015 have been mooted. The significance of this dynamic of a common discipline allowing individual variations; however it is ultimately phased, for the IFF should not be underestimated. It strengthens the case for the IFF as a lock-in mechanism for countries who need substantial acceleration-such as Germany and Italy. And at the same time it softens the objections of the Nordics and other non-G7 countries (Netherlands, Ireland, Luxembourg eg) either committed to a faster timeframe, or having long ago reached the goal.

On current planning scenarios, and subject to the successful launch of IFFIm (in public and market opinion, as vaccine results and outcomes will take time to emerge but can also be discounted as largely positive), the go-ahead for an expanded IFF can be expected as early as the end of 2005 or early 2006.

There remain several major unknowns, other than those of political chemistries and personalities on which we will not speculate here-but which the forthcoming UK elections should help clarify. One , given the likely abstention from the IFF of the US and Japan, at least initially, is the likely minimum and maximum scale of the initial IFF that could both receive material support and pass the tests of diluted control and economies of scale in transactions costs. It is probably not realistic to imagine a \$50 billion vehicle on the immediate horizon, but a package in the range of \$10-\$20 billion, over and above IFFIm, could be constituted in this timeframe.

A second and overarching one, going perhaps in the opposite direction, is the political impact of the 'morning after' feeling from the UN Special assembly in the MDG, if and when it emerges that there are no serious vehicles other than the IFF that would allow the MDGs to be taken to scale, even in a first batch of fast-track countries. The IFF would be well placed to serve as 'banker of the last resort' to a donor community whose rhetoric is running well ahead of its wallet. What remains to be seen is how far the same countries will accept binding future pledges as a less painful outcome than high-profile failure.

Annex 9: ODI Japan Visit Report June 2005

Contents

Acronyms and Abbreviations	131
Executive Summary	132
Structure of report	133
Background to visit	133
Main points observed and discussed	134
Next steps	135
Annex: List of people met	137

Acronyms and Abbreviations

ADB	Asian Development Bank Institute
AfDB	African Development Bank
AICAD	African Institute for Capacity Development
CFA	Commission for Africa
DBS	Direct Budget Support
DBS	Direct Budget Support
DG	Director General
ECB	Economic Cooperation Bureau, MOFA
FASID	Foundation for Advanced Studies on International Development
FDI	Foreign Direct Investment
GEIC	Global Environment Information Centre
GRIPS	National Graduate Institute for Policy Studies
IDCJ	International Development Center of Japan
IDE	Institute of Developing Economies
IDRI	International Development Research Institute, FASID
IFF	International Finance Facility
JBIC	Japan Bank for International Cooperation
JBICI	JBIC Institute
JICA – IFIC	JICA Institute for International Cooperation
JICA	Japan International Cooperation Agency
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
ODA	Official Development Assistance
ODI	Overseas Development Institute
P & C	Planning and Coordination Department, JICA
PPP	Public Private Partnership
TICAD	Tokyo International Conference on African Development
UNU	United Nations University
VP	Vice President
WTO	World Trade Organisation

Executive Summary

A team of four from ODI visited Tokyo during the week of June 6 2005 (Simon Maxwell, David Booth, Julius Court and Karin Christiansen) as part of our JICA-funded work on UK-Japan aid issues and the implications for Japan of the UK's focus on African development in 2005.⁶⁷ We also wanted to learn about Japan's development community, particularly its views about East Asia's development experience and how Japan's aid may have accelerated it.

The programme included meetings with:

- JICA – including President Madame Ogata, Vice Presidents Seiji Kojima and Kazuhisa Matsuoka, Tsuneo Kurokawa (Head of Africa Department) and other staff including the Director and Staff of the JICA Institute for International Cooperation (IFIC);
- JBIC – including Executive Director and Deputy of the JBIC Institute (JBICI) (Shozo Kitta and Ryutaro Koga) and operational staff from the Development Assistance Strategy Department and Africa Department;
- Ministry of Foreign Affairs (MOFA) – Kazuo Kodama (Deputy DG of the Economic Cooperation Bureau) and staff as well as Mr Mabuchi and his staff at FASID (a think-tank affiliated with MOFA);
- We also met with other stakeholders including representatives of think tanks (JICA-IFIC, FASID, GRIPS), leading researchers (Shigeru Ishikawa, Yasutami Shimomura and Toru Yanagihara) and international agencies (United Nations University and Asian Development Bank Institute).

There were also three 'events':

- a large workshop on Aid to Africa organised by IFIC (DG Toru Taguchi, Kyoko Kuwajima and Koji Yamada), attended by about 130 people;
- a lunchtime seminar on UN Reform at FASID (Executive Director Mutsuo Mabuchi and Junko Ohara), attended by about 80 to 90 people⁶⁸; and,
- a high-level workshop on PRSPs and aid at GRIPS (Chaired by Izumi Ohno) – including a panel with Takehiko Nakao (Director in the International Bureau at the Ministry of Finance), JICA VP Seiji Kojima, JBICI Executive Director Shozo Kitta and Mr Kazuo Kodama from MOFA. The workshop was attended by about 45 people.

Key discussion issues included the following:

- It certainly felt that Japan is turning a corner after almost a decade of budget cuts. There is a lot of reform happening in the Japanese aid system – with a new ODA Charter, increasing coordination from MOFA, reform processes in JICA, a doubling of aid to Africa, debt relief provision and new efforts regarding how to loan to Africa. There is minimal enthusiasm in Japan for the IFF.
- It is clearly a period of policy ferment and there seemed substantial interest in discussing all kinds of aid policy issues in order to inform the debate in Japan.
- It was clear that budget support was one of the hottest topics – there is no inherent opposition in Japan and this modality is actually already used in Indonesia and Viet Nam as well as the more well-known pilot in Tanzania. There may be some limited extension to Ghana and Uganda.
- Traditional Japanese interests in infrastructure and private sector development are still very prominent. There is interest that the Commission for Africa (CFA) has given prominence to the productive sector (especially infrastructure). There is a feeling that DFID does not give enough prominence to these issues.
- Much discussion on governance and agreement on the importance of politics for development – and the need for donors to address political issues more directly, especially in Africa.
- Many interesting comparisons between Asia and Africa – regarding starting conditions, developmental states, economic strategy, role of aid, etc.

⁶⁷ See English and Japanese websites: http://www.odi.org.uk/rapid/Projects/UK_Japan/

⁶⁸ See: http://www.fasid.or.jp/chosa/forum/bbl/bbl_17.html

The visit went very well and generated a number of ideas for next steps, including:

- An ODI-run study tour for Japanese aid officials – visiting UK development assistance institutions and hosting discussions on the key policy issues.
- Joint study with IFIC (a working group of researchers and policymakers) on Fragile States. Other possible issues included Direct Budget Support, development states in Africa, infrastructure, etc.
- Joint capacity development courses at the African Institute for Capacity Development (AICAD) in Kenya.
- Continue reporting (every 2 months) on UK and European development issues.
- Closer analytic or operational work at the country level in Africa.

The key issue in the longer term is that Japan will be in a similar ‘development spotlight’ position in 2008 (chair of G8 and hosting TICAD IV) to that of the UK in 2005. To maximise the opportunity of these rare periods when development has an added political profile, it is crucial to prepare ahead. ODI can help.

Structure of report

This report is divided into three sections:

- (i) Background to visit
- (ii) Main points observed and discussed
- (iii) Next steps

The main body of the report is followed by two annexes. The first of these provides details of individual meetings and issues discussed. The second annex sets out a list of all people the team met.

Background to visit

The visit took place as part of JICA-supported work on the implications for Japan of the UK’s ‘2005 agenda’ for Africa. African development issues and the UK’s views and policy have particular resonance in 2005 since Africa is one of the priorities for the G8 gathering in Gleneagles in July. The Commission for Africa (CFA) has put forward substantial analysis and a range of proposals for the international community to consider. Development issues are also at the heart of the UK’s Presidency of the EU in the second half of 2005.

The project focuses on what the UK is promoting in the run-up to the G8 (and in other big 2005 meetings), what other European donors think and what the implications (opportunities and challenges) are for Japan. So far the project has:

- prepared seven background papers – on UK policy, the CFA, perspectives of other European donors and the International Finance Facility (IFF);
- produced a draft synthesis of the findings on UK policy issues, European responses and the implications for Japan;
- held a meeting in London (31 March 2005) with international development researchers and policymakers from the UK and Japan as well as Europe.

The project was also part of a larger ODI initiative since 2003 on how to better link research and policy stakeholders in Japan and the UK. The rationale for this being that both countries are major donors and have different comparative advantages, yet interaction is surprisingly limited. The findings of related synthesis work on aid policy issues (PRSPs, Direct Budget Support, Drivers of Change, etc) are also available (see: www.odi.org.uk/RAPID/UK_Japan/). We also believe that the UK development community has not given enough attention to East Asia’s development experience, the extent to which Japan’s aid may have accelerated it and what the consequent lessons are for aid policy.

This work is also taking place within the context of much closer official linkage between the UK and Japan on development issues. There remains a perception in the UK that Japan's aid is not particularly effective – especially in Africa – and trying to increase quality and quantity are strategic objectives of the UK government. In Asia, DFID held its Asia strategy meeting in Japan in 2003. The two countries are also working together at country level (e.g. in Bangladesh and Viet Nam). In Africa, the recent 'Chakrabati-Sato' meeting on Budget Support in Tanzania is part of increasing discussion on broader aid issues.

From the Japanese side, the visit took place within the context of:

- Japan's PM Koizumi has announced the government will double aid to Africa over the next three years;
- He also announced that TICAD IV would be held in 2008 – the same year that Japan will chair the G8;
- There was a launch of the Africa Commission while we were in Tokyo;
- Japan is lobbying hard for a seat on the Security Council;
- The debt deal sealed at the G8 Finance Ministers meeting.

We are very grateful for all the people who took the time to discuss aid policy issues with us in Tokyo. We also owe particular thanks to:

- Debbie Warrener from ODI
- Aiichiro Yamamoto and Toshiyuki Iwama of the JICA London Office
- Tsuneo Kurokawa, Hiroyuki Moronaga and Sayoko Uesu from the Africa Department at JICA
- Toru Taguchi, Kyoko Kuwajima, and Koji Yamada at IFIC
- Mutsuo Mabuchi and Junko Ohara at FASID
- Izumi Ohno and Asuka Suzuki at GRIPS

Main points observed and discussed

While Prime Minister Koizumi recently committed to doubling aid to Africa over three years – an additional US\$0.8bn per annum – there remains discussion as to whether this doubling of aid to Africa will be additional funds or reallocation from other regions. The issue is still working its way through the ODA budget system and is causing debate between the Ministry of Finance and Ministry of Foreign Affairs. Given Japan's fiscal constraints, this is likely to mean some reallocation (mostly from the East Asia) as well as some additional ODA. The issue is complicated since much of the aid to East Asia (especially China) does not come from the General Account (it is provided in loans). However, since Africa is rather marginal within Japan's bilateral ODA (approximately 12%) and aid levels have halved since 1996, the commitment does not involve particularly dramatic amounts of ODA (and would bring back levels to those of 1996).

There was notable reform in Japan's ODA system (ODA Charter, medium term strategy, Country Assistance Strategy (CAS) approach). The new coordinating role of the ECB in MOFA makes sense. Most notable however was the reform within JICA. The significant decentralisation occurring in JICA, emphasis on human security and increasing emphasis on Africa (funds up from 14% to 20% in two years) are notable.

Africa is not a major priority for Japan's ODA and expanding support to Africa – and changing approaches – will be challenging. There are three main sets of reasons:

- technical – for example, Japan has struggled to loan to the region since HIPC;
- African context – there remains uncertainty that additional aid would have a development impact in countries with troubled economic and political contexts. (There seemed much pessimism about the growth prospects of the region.);
- political in Japan – Africa is not seen as a priority in Japan in terms of national interest or by some politicians.

Human security is a big topic in Japan, driven by Mrs Ogata (who led the Human Security Commission, jointly with Amartya Sen) but stemming originally from the 1994 Human Development Report. We had this concept explained to us in great detail, and tried to make links to other relevant or similar concepts, like livelihoods, human development, food security etc. For Japan, human security basically refers to individuals ‘freedom from fear’ and ‘freedom from want’. The Japanese are funding international initiatives e.g. in the UN. Mrs Ogata has explained this as helping to rescue development from the predation of security, but operationally it is presented as something that actually looks very much like the earlier concepts, with a strong emphasis on participation and on a combination of what we would call livelihood promotion and livelihood protection. There remains some uncertainty about what the concept actually means operationally and the extent to which it will actually mean something very different from existing approaches.

It was clear that budget support was one of the hottest topics. Budget support remains controversial and difficult for some stakeholders in Japan. There is no intrinsic opposition to the concept in Japan and this modality is already used in Indonesia and Viet Nam as well as the more well-known pilot in Tanzania. But there remains a traditional view that projects are valuable and some concern within JICA about what budget support means for them. The sources of resistance are the mix of technical issues, the African context and politics in Japan, mentioned above. An example related to each: Audit authorities are really struggling with how to deal with DBS; there is real concern about contexts in Africa and whether DBS would work; and there is resistance to DBS among politicians who like to see Japanese flags and faces as part of the aid programme.

We talked a lot about governance issues. A lot has been written in recent years about governance in Asia by various think tanks in Japan. Many practitioners were very insistent that aid can lead to growth which can be a powerful catalyst for better governance and accountability. This was seen as a lesson from East Asia. There is much less interest in democracy or human rights approaches. MOFA has also been increasingly trying interesting new approaches to deflect the ‘white elephant’ pet projects African leaders tend to try to get funded when they visit Tokyo.

Traditional Japanese interests in infrastructure and private sector development are still very prominent, especially in JBIC (the loan agency), but more generally in the context of lessons from East Asia. There is scope for really interesting discussion between Japan and the UK on these issues. There is interest that the CFA has given prominence to the productive sector.

Fragile states also emerged as a topic of great interest. Japan seems to be keen on engagement rather than distance e.g. in Burma. ‘Sunshine and North wind combined’. This was a major concern at JICA (Office of Human Security) and IFIC is launching a research programme on the topic.

To help with sharing and coordination, there is a new ‘platform’ for research institutes involving JBICI, FASID, IDE, GRIPS, IFIC. The ECB of MOFA is meant to play a leading role. This may be a useful entry point for think tanks outside Japan to engage with aid policy issues.

Development-related civil society is not very strong in Japan compared to the UK, but its capacity is growing and there is a desire to push more towards 2008.

Next steps

A number of specific ideas were discussed in the various meetings. These are set out in detail below. It is, however, worth considering these within the broader context that Japan will be in a similar ‘development spotlight’ position in 2008 (chair of G8 and hosting TICAD IV) to that of the UK in 2005. We emphasised repeatedly the need to prepare ahead of time for such periods when development has a high political profile.

Specific ideas discussed included:

- ODI could continue to report on the latest research evidence emerging from the UK regarding aid policy issues. This would continue the work commissioned by JICA’s Planning and Coordination Department, but would preferably be every two months (rather than monthly). This could focus on

new big ideas (e.g. Drivers of Change this time) and / or UK responses to topical events (e.g. Millennium Summit or WTO Ministerial) and / or major European development issues.

- Given the learning involved in the ODI visit, we thought it would be a great idea to have a study tour from Japan visit the UK. The aim would be to visit / learn about the institutions of the UK's aid system and also have a series of discussions on topical issues (Aid to Africa; PRSPs; Budget Support; Infrastructure; NGOs; etc). Another key aspect could be as part of the preparations for 2008 in Japan (G8 and TICAD IV) to extract what can be learned from the UK's experience in 2005. The visit could be for a week as a stand alone – or done as a short add-on when Japanese delegations return from missions to Africa.
- The idea of joint research on aid policy issues emerged at various points.
 - The option discussed in most detail was a joint working group on fragile states – with JICA-IFIC. Both IFIC and ODI are currently starting programmes of work in this area. The recent synthesis paper for JICA outlines some of the issues, but there remain major gaps in understanding regarding how best to work in such contexts. IFIC often employs task forces or working groups involving researchers and practitioners – it would be interesting to bring both groups from the UK and Japan together.
 - The other main area that came up repeatedly was regarding 'development 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.
 - There were other interesting issues raised that might be developed – including on 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.
- Policy briefs were seen as one of the most valuable ODI products that might be made a greater part of the Japan-UK initiative. One option would involve ODI producing a series of policy briefs on issues that Japan finds useful. Another thought was that of joint policy briefs – e.g. done with IFIC or GRIPS. Alternatively Japanese stakeholders may produce briefs themselves on such issues – very few currently come out of Japan to desks in the UK. A workshop for Japanese stakeholders on how ODI produces such briefs is another option.
- There was also a lot of interest from some JICA staff regarding the idea of ODI working more closely with JICA at the country level (e.g. Tanzania). This might involve focusing on agriculture or other aid issues.
- One option raised was the idea of ODI hosting visiting fellows from Japanese policy organisations.
- Annual Tokyo and / or London aid policy or development topic events that bring together experts from the UK and Japan.
- Capacity building courses in Africa at the African Institute for Capacity Development (AICAD) in Kenya. We have already been brainstorming some ideas with JICA and AICAD. These include training courses on: (i) CSOs' engagement in policy processes; (ii) Human Security; (iii) PRS monitoring and PFM as a tool for analysing recipient countries policies and ways to strengthen donor aid.
- JICA in particular noted the difference between civil society and public engagement in development issues in Japan and the UK. With an eye to preparing for 2008 in Japan (G8 and TICAD IV), there was much interest in what could be learned from the UK's 2005 experience. This could involve a review of what worked in the UK and why and what the Japanese government and civil society groups might do to help raise awareness of and engagement in development issues.
- Discussions with JICA-IFIC, FASID and GRIPS revealed strong interest in how the ODI works as a

think-tank. Briefing materials, training or tools from ODI's Research and Policy in Development (RAPID) programme could be useful input particularly during the development of the new 'platform' for research institutes in Japan.

- More generally, we hope to find a way to continue to be:
 - A source of information for Japan on UK / European aid policy approaches;
 - A window to Japan for others in the UK – e.g. DFID / Universities / etc.

These will be developed further in coming months.

Annex: List of people met

JICA

Madame Ogata, President, JICA
Seiji Kojima (JICA VP)
Tsuneo Kurokawa, Africa Dept DG
Masashi Mizukami, DG of Planning and Coordination Dept
Noriko Suzuki, Director of Planning Group, P&C Department
Masayoshi Takehara, Programme Officer, P&C Department
Takao Toda, Director, Office of Human Security, P&C Department
Koji Makino, Team Director in the P&C Department
Izumi Okata, Human Security Team, P&C Department
Hironobu Murakami, Programme Planning Team, P&C Dept
Mikako Kudo, Researcher, IFIC
Hiroto Kamiishi, Team Director, Global Development Partnership Team, P&C Department
Hiroyuki Moronaga, Team Director, East Africa
Sayoko Uesu, East Africa Team
Koichi Kito, Team Director, Southern Africa
Satoshi Kadowaki, Southern Africa Team
Jiro Ohtsuka, Assistant Chief Economist and Senior Advisor
Sayoko Uesu, East Africa Team
Toru Taguchi, Director General, IFIC
Kyoko Kuwajima, Senior Researcher & Research Group Director, IFIC
Koji Yamada, Associate Senior Researcher, IFIC
Mikako Kudo, Researcher, IFIC
Yumiko Yokozeki, Senior Advisor (Education), JICA-IFIC
Shigeki Furuta (Team Director in the Overseas Affairs Group), JICA
Sawako Matsuo (Training Affairs and Citizen Participation Department), JICA
Kei Yoshizawa (Africa Department), JICA
Kiichi Okitsu (Africa Department), JICA
Naoki Umemiya (IFIC), JICA
Hagino Noguchi (Programme Officer, P&C Department), JICA

MOFA

Kazuo Kodama, Deputy DG, Economic Cooperation Bureau, MOFA
Hiroshi Minami, Director, Global Issues Policy Division, Global Issues Dept, MOFA
Naoko Ueda, Deputy Director in the Economic Cooperation Bureau
Yasuhisa Kitagawa, Economic Cooperation Bureau, MOFA

MOF

Takehiko Nakao (Director in the International Bureau at MOF)

JBIC

Kakutoshi Ohori (Deputy Director in Development Assistance Dept IV – Africa)
Jin Wakabayashi (Deputy Director in Development Assistance Strategy Department)
Motoyuki Takahashi (Deputy Director in Development Assistance Strategy Department)
Kenichiro Kitamura, Development Assistance Dept IV

Tadashi Ito, Development Assistance Dept IV – Africa
Hiroyuki Kodera, Planning and Coordination Department

JBIC Institute

Shozo Kitta (Executive Director)
Ryutaro Koga (Deputy Director General)
Mitsuyo Kurihara (Economist)
Taro Katsurai (Economist)
Takaaki Kobayashi (Economist)
Mami Sakuma (Researcher)

FASID

Matsuo Mabuchi, Executive Director of FASID
Naonobu Minato, Acting Director, IDRI, FASID
Takamasa Akiyama, IDRI, FASID
Junko Ohara
Keiko Watanabe

GRIPS

Izumi Ohno, Coordinator, Development Forum, GRIPS
Asuka Suzuki
Nobuyuki Hashimoto, Visiting Researcher, GRIPS
Shoko Yamada
Yuichi Sasaoka

Others

Motoki Takahashi (University of Kobe)
Yasutami Shimomura (Hosei Univ)
Tom Burn (British Embassy)
Bunmi Akpata-Ohohe (Africa Today)
Shigeru Ishikawa (Hitotsubashi Univ)
Toru Yanagihara (Takushoku Univ)
Akiko Yuge, Head, Tokyo Office, UNDP
Birgit Poniatowski, Capacity Development, UNU
Uli Piest, GEIC, Tokyo
Peter McCawley, Dean, ADBI
Penelope Price, Communications Officer
Max Bond, Senior Officer, Office of the Rector
Soisik Habert, Programme Officer responsible for Africa
Ted Newman, Expert on Human Security
Minoru Ouchi, Professor, Nihon Fukushi University
Masao Yoshida, Professor, Nihon Fukushi University
Hiroko Ofuchi-Konno, The Economist
Ryo Sasaki, IDCJ
Junichiro Owaki, Research Institute for Corporate Culture
Moustapha Kamal Gueye, IGES
Akiko Fujii, UNDP
Eiko Narita, UNDP
Ritsuko Yonemichi, Crown Agents
Morio Miyazaki, Managing Director, International Division, UFJ Institute
Tetsuya Fukunaga, UFJ Institute
Kensuke Shimura, UFJ Institute
Naori Miyazawa, UNOPS
Akiko Kobayakawa, UNOPS
Toshifumi Serizawa, IC Net Ltd
Chiaki Nakajima, TICAD NGO Forum
Yasuhito Murakami, UNDP, Afghanistan
Kyoko Okamura, UNICEF