A Strategic Framework
for Using Japanese Official Development Assistance
in Sub-Saharan Africa

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Abbreviations

ACP-EU	African Caribbean & Pacific countries and European Union
AERC	African Economic Research Consortium
AIDS	Acquired Immunodeficiency Syndrome
AT	Agricultural Tradeability
CBI	Cross-Border Initiative
CEMAC	Communaute Economique et Monetaire d'Afrique Centrale
CDD	Community Driven Development
CFA	Franc de la Communaute Financiere en Afrique
CIMA	Conference Inter-Africaine des Marches des Assurances
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
FIC	Food Import Capacity
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
JODA	Japanese Official Development Assistance
NAI	New African Initiative
NEPAD	New Partnership for Africa's Development
PRSP	Poverty Reduction Strategy Process
SPS	(WTO agreement on) Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
UEMOA	Union Economique et Monetaire Ouest Africaine
UNAIDS	Joint United Nations Programme on HIV / AIDS
UNECA	United Nations Economic Commission for Africa

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Executive Summary

Foreign aid in Africa is at a crisis stage. The economic literature is divided on usefulness of aid in Africa, and some research in this area has argued for its curtailment, falling short of recommending cancellation. Amidst this controversy, Japan has substantially increased its development assistance in Africa. Over the period 1994-98, Japan gave development grants and loans to some 20 Sub-Saharan African countries regularly. There is need, therefore, to examine the effectiveness of this aid in reducing poverty, and in supporting sustainable development.

There is an emerging consensus that foreign aid may be an effective instrument for sustainable development and for improving the plight of the poor in countries with good policy environments. A *good* policy environment comprises macroeconomic stability; incentives for investment, accumulation and for participation in local and international markets; social inclusiveness; a viable social infrastructure (public utilities, transport and communications, rule of law); decentralized governance, and a political system supportive of economic reforms. However, research has not provided guidance on how to achieve good policy environments.

Reforms to change policy environments have in the past been directed towards aid recipients. It is argued in the report that aid policies of donors need to be changed also, to realign them with needs of beneficiaries. Thus, a good policy environment is broadened to include desirable elements of donor policies as well. Lack of research information on how to create good policy environments, under which to deliver assistance to the needy, is one reason why aid in Africa has not been effective in reducing poverty or in initiating sustainable growth.

The report argues strongly that foreign assistance in itself is not bad for African development. It finds no sound basis for calls to reduce aid, other than the economic hardship of donors. The root cause of aid ineffectiveness in Africa is *joint* failure of African governments and donors to design and implement viable systems of delivering assistance to the poor. Existing top-down mechanisms for aid delivery in Africa leak substantial aid to non-poor, and tend to create or perpetuate dependency.

Another principal argument in the report is that reform of policy environments and aid delivery systems is not sufficient for aid effectiveness. A further condition is that aid must be *allocated* and *used* strategically if it is to reduce poverty on a sustained basis; or, if it is to create an environment for doing so.

As to strategic allocation, donors and governments can play a critical role in directing aid to broad sectors of the economy where it is likely to have the greatest payoffs, both in terms of human development, and in terms of stimulating economic growth. In Africa, where the development of human resources is exceedingly low, there are large benefits from investing aid resources in education, health care, AIDS prevention and cure, and in water and sanitation facilities. Outside the social sectors, additional resources from foreign aid can be invested in agriculture – to provide for food security and promote production of high value farm exports; in industry – to create opportunities for high wage employment and to lay the foundation for industrialization; in regional integration institutions – to enhance regional markets and diffusion of technology; in civic institutions – to create conditions for social inclusiveness in the development process; and in research – to build capacity for generating development ideas locally.

As to strategic use of aid, this can be achieved at local levels by *involving* communities in the delivery of emergency aid – to ensure its proper targeting; in identification of projects to be funded with aid money – to avoid irrelevant investments; and in operations of aid-supported projects – both to build management capacity via learning-by-doing, and to promote local ownership of the projects.

Poverty in Sub-Saharan Africa is so generalized that it is unrealistic to expect foreign assistance to turn around the living conditions of the people in a few years. Thus, aid policies of donors should take a long-run view of needs and development priorities of the region. Moreover, given the diversity of the continent, uniform reforms or aid delivery systems cannot be expected to work well in every country. Aid policies and delivery mechanisms have to be country specific. Thus, background information on potential beneficiaries should inform aid policies.

The main thrust of the report is that development cannot be taken to a country via foreign aid. Development must come from within a country through design and implementation of locally owned and sustainable programs. Foreign aid is to be seen as a mechanism for facilitating, accelerating, or just supporting country-driven development initiatives. The priority areas for JODA support identified in the report include education and health; agriculture development (including rural non-farm sector); physical infrastructure in rural and urban areas, especially the facilities needed for new information and communication technologies; research & development activities; institutional reforms; and regional integration programs, especially that fall under the umbrella of NEPAD (New Partnership for Africa's Development)

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1 Introduction

1.1 Overview

The purpose of this report is to develop a framework for using Japanese Official Development Assistance (ODA) in Sub-Saharan Africa more *effectively* -- both by the donor, as well as by recipient countries. The framework is *strategic* in the sense that in using Japanese ODA to lift African populations out of poverty, account should be taken both of the changing circumstances of the global economy (in which Japan and ODA recipients are participants), and of variability in policy environments across Sub-Saharan African countries. That is, *flows* of aid to countries (in volume and composition), and the *utilization* of aid within countries, should be based on the extent to which recipient countries are *globalized*, and on the *nature* of their policy environments. It is important that both the giving and the investing of aid resources in development projects be tailored to domestic and international circumstances of countries. Such strategic *disbursement* and *use* of official development assistance should greatly increase its effectiveness in reducing poverty, and in creating conditions for sustainable social and economic development.

However, even as aid is used as an instrument for reducing poverty in Sub-Saharan Africa, care should be taken *not* to create or worsen the situation of aid-dependence in countries benefiting from Japanese ODA. There is need to ensure that ODA from Japan does not perpetuate or create what President Mbeki of South Africa has termed a “begging bowl mentality” in Africa (see McPherson, 2000). It is easy to imagine how *non-poor* communities, which are not yet weaned from foreign aid, could suffer from this unfortunate syndrome.

Advancements in trade and information flows over the recent decades have led to substantial transformation in the way residents of different nation-states interact with each other. National economies are increasingly being linked through international products and factor markets, leading to larger cross-border flows of goods and factors of production. This increasing globalization is primarily driven by technological innovations, market openings and technical cooperation among countries. Japanese ODA (grants, loans, technical cooperation, and other forms of aid) in Sub-Saharan Africa need to be strategically situated and used in this overall context (see Appendix Tables 10 and 11 for a record of Japanese ODA in Africa).

The first generation economic reforms in Africa in the last two decades focused on creating stable macroeconomic environment. In general, this objective has been achieved, despite lingering problems in selected areas and countries. For example, positive growth rates have been recorded by several countries; inflation is under 10%; and exchange misalignment has been substantially reduced in much of Africa.

However, the positive growth rates have not led to widespread improvement in material welfare of the African people. Poverty rates in Africa are exceptionally high relative to rates in other developing regions and the situation has been getting worse in recent years. In the mid-1990s, 53% of the population in Sub-Saharan Africa was below the poverty line, typically fixed at US 1.00 per day (Fields, 2000). Rural and urban poverty rates were 56% and 43% respectively. In some countries, rural poverty is in the range of 70-80%, and urban poverty rate is 50-60%. The inequalities in the distribution of income are also large and socially unacceptable. The average Gini for the countries in the region is 49% (see Appendix Table 9).

The second generation of reforms need to go beyond macroeconomic stabilization and address lingering deficiencies in areas of human development. Improved education, health care, nutrition, maternal education, safe water and sanitation need to be delivered to people in urban slums and in remote rural villages, where the bulk of the poor in Sub-Saharan Africa currently reside. It is well established (see Schultz, 1999) that these social services are associated with increased labor productivity, and hence with lower poverty rates. However, in many Sub-Saharan African countries, resources are lacking to invest in human capital, i.e., better health, education and other social services that directly improve the quality of life.

Proponents of globalization argue that it can be a powerful force for helping poor nations, such as those in Africa, find the resources that are needed for investment in human capital and to acquire new knowledge for general development. In a globalizing economy, flows in tradeable commodities, in financial capital, and in technology, it is argued, would work to close the income gap between the poor and industrialized countries. In the case of Sub-Saharan Africa, globalization of the economies in the region would create opportunities for larger export markets even for poor countries. Countries that would undertake the reforms necessary to exploit international trade opportunities would generate the foreign exchange needed to finance industrial imports, pharmaceutical products, and the lumpy equipment required for the development of social infrastructure. Furthermore, globalization of national economies of Sub-Saharan Africa should attract foreign direct investment, new technologies and better management practices to the region. Thus, there are development benefits to be had in investing in areas or in projects that make African economies more integrated in the world economy. Japanese official development assistance should be used to lay the foundation or to facilitate this integration.

However, a globalization-led development strategy also requires that investments be made in institutions and organizations that would enable African nations to deal effectively with potential risks of globalization. For example, in a globalized world, a country cannot sell in international markets unless its products are competitive, from perspectives of both price and quality. In Africa, many economies are too small to raise the needed capital to invest in equipment and technology to produce goods at costs that would secure competitiveness in world markets. That is, many African countries are not in a position to benefit from scale economies in production. Japanese assistance in the financing of infrastructure and institutions that would facilitate creation of trade blocs may provide the necessary impetus for harnessing or realizing agglomeration and scale economies. Regional-oriented developments projects can thus positively impact on the economic well-being of individual nation-states. Thus, support for development projects in a specific country need to take into account elements of regional character that might increase productivity of investments located in that country.

The increasing marginalization of Sub-Saharan Africa at some international forums has raised serious doubts as to whether globalization would eventually play a significant role in closing the gap between poor countries in Africa and in industrialized countries. That is, the convergence theory of incomes across countries over time (and hence of material welfare) does not seem to be born out by the evidence available to date, especially when seen from African perspectives.

Lack of long-run convergence of incomes across countries can be attributed to structural features of the global economic system. The nature of specialization of sub-groups of countries in Africa can also account for divergence of incomes over time between African countries and the industrialized nations. Japanese development assistance in Africa needs to address these two kinds of problems if it is to be effective in lifting Africans out of poverty. The first problem relates to unfavorable structural features of the global economic system. These features include barriers to labor mobility, unfair trade restrictions and poor communication facilities between Africa and the rest of the world. Japanese development assistance can deal with these sets of problems through technical cooperation arrangements that would accompany flows of Japanese official aid and loans to Africa. The second problem – unfavorable specializations of sub-groups of African countries, can be dealt with via support of projects that enhance productive bases of the countries concerned, including technical assistance in the diversification of exports and in acquisition of scientific and technological knowledge. However, any technical knowledge so obtained needs to be adapted to local circumstances. In this respect, building of local scientific and technological capacity is key in ensuring that relevant knowledge would continue to be domestically produced or adapted to support locally owned development projects.

The above development strategy requires careful analysis of infrastructural investment policies of specific African countries and of regions of which they are a part, and viable *trade* arrangements between these countries and the industrialized world. Japan can play a particularly critical role in assisting African countries to negotiate advantageous multilateral trade arrangements with the World Trade Organization (WTO) and in articulating its various bilateral trade agreements, including proper implementation of recommendations of the Tokyo International Conference on International Development.

Research in several countries has shown that globalization can lead to faster economic growth. However, this could come with negative distributional consequences that can lead to social conflicts and environmental degradation. That is, within country distributive impacts of globalization may not be neutral. The forces of globalization can increase inequality and be detrimental to the overriding objective of economic development -- poverty reduction. However, the precise nature and various mechanisms, through which globalization might alter the pattern of income distribution and the poverty-profile of countries remain unknown. Japanese development assistance can be used to finance research to provide the needed empirical information as to redistributive effects of globalization in specific countries or regions of Sub-Saharan Africa.

Adequate understanding of the relationships between macroeconomic policies and growth, income distribution and poverty alleviation is key to the success of Japanese development assistance in Sub-Saharan Africa. The specific issues that would need to be considered in this regard include: linking short run and long run poverty alleviation measures to debt reduction; designing appropriate safety nets and measures to cushion the poor against risks of shocks arising from policy failures, bad weather and other external shocks; and ways and means to enhance food security, especially in arid and semi-arid areas.

Finally, given the sluggish performance of open economies in recent years, a critical question facing Sub-Saharan Africa is how the sub-continent, as an *open* region, can participate strategically in the global economy. Japanese official development assistance can be an important vehicle in Africa's strategic participation in the international economy, if it is directed at projects that address the pressing problems of the region, especially the unacceptably low levels of human development and technological isolation which combine to produce a very low level of international competitiveness.

Against this background, the overall objective of this research report is to identify the main development challenges facing Sub-Saharan Africa, and to develop a framework for increasing the effectiveness of Japanese official development assistance in meeting these challenges. Of particular interest here, is the role Japanese aid can play in Africa in helping governments achieve sustainable growth in a globalizing world, and raise the general standard of living of their people, especially the poor.

1.2 A Framework for Strategic Use of Aid

It is a surprising, and a distressing fact, that *donor* assistance in Sub-Saharan Africa has not succeeded in *developing* recipient countries, as intended. In some countries, e.g., Tanzania, Kenya, and Zambia, foreign aid receipts since independence have been substantial; yet, their development impact has been negligible (Devarajan, et al., 2001). The experience of the three countries is generally applicable to all Sub-Saharan African countries. It is however an experience that is difficult to explain.

A receipt of an additional resource by a country should, *other things being equal*, make that country better off. When looked at from this counterfactual perspective, aid transfers to Africa might have been successful, despite lack of evidence to that effect. This is so because without aid, "other *exogenous* factors"-- those outside the control of African societies, might have worsened the situation. The problem with this view is that it is difficult to think of exogenous factors that affected Africa without affecting other world regions. Adverse weather conditions, for example, that afflict Africa incessantly, are commonplace in other regions.

Thus, poor weather and other natural hazards cannot be the principal reason why aid has been ineffective in Sub-Saharan Africa. This leaves two explanations as to why aid has not had the intended effects in the African sub-continent. The first is that there are factors specific to Africa (over which African governments have control) that prevent aid from being effective in reducing poverty, or more generally, from acting as a catalyst of development. The second explanation has to do with the nature and characteristics of foreign aid: the aid received in Africa, including the conditions under which it is given may not be conducive to development.

Adverse factors specific to Africa

If, to paraphrase T. W. Schultz (1963), African countries were *efficient* but *poor*, foreign aid should lift them out of poverty: governments would use aid to improve the well-being of the people. However, if the reason for poverty is generalized inefficiency in the country, aid cannot be expected to make a difference. Instead, aid would be wasted like other resources that are internally generated; and, it could even make matters worse by supporting *institutions* or *policies* that perpetuate inefficiencies and gross inequalities, and thus poverty.

Adverse characteristics of foreign aid

It is worthwhile to continue to emphasize that foreign aid is an additional resource to a receiving country. Thus, it should facilitate achievement of development objectives of recipient countries. However, aid can fail to do this for several reasons. It can be unsuitable or be tied to development objectives of the donor, which may be in conflict with those of the beneficiary. It can be of inadequate amount or duration, and hence fail to meet development needs of the recipient. Finally, aid can be given under conditions that thwart its effective utilization, or which encourage its misuse.

Explaining aid ineffectiveness

It is a great economic puzzle when transfer of a net resource to people fails to make a difference in their living standards. Recent economic literature on aid in Africa has attributed aid ineffectiveness to adverse domestic policy environments (Dollar et al., 2000; Devarajan, et al., 2001). Inability of foreign aid to reduce poverty in Africa has been blamed on bad policies of African governments. An equally important constraint in that regard, are bad policies of donors. This is an issue that has been grossly neglected in the literature. For example, donor policies that do not encourage local management of development projects funded with aid money are not conducive to sustainability of such projects.

To improve effectiveness of aid in Africa, it is necessary to reform policy environments of *both* donors and beneficiary countries. However, while necessary, reform of policies is not sufficient to improve aid effectiveness. In addition, aid money and other resources must be invested in activities that have highest payoffs in human development, and which benefit the majority of the population. Examples of such investments include expenditures on basic health care (including treatment and prevention of Acquired immunodeficiency syndrome (AIDS)), education, water & sanitation, basic social infrastructure, production of food and tradeables, and on development of formal and informal sectors.

Improving policy environments of donors is not easy. While donors can impose conditions on recipients, the recipients are not in such a lucky situation. However, donors can voluntarily change their policies in response to genuine needs expressed by recipients, through a process of participatory discussion of development issues. That is, both governments and donors should tailor their policies to *objectively* identified, and *widely* shared development needs at local levels. The challenge here is for donors and governments to find mechanisms for responding to genuine development problems at community levels. That is, donors and governments need to be strategic in their use of aid as an instrument for development. Aid can be said to be *strategically* used when it is invested in projects that meet welfare needs of communities, including the need for sustainable development. Such use of aid would *always* improve the well-being of people.

Aid, as a net transfer of resources to *needy* people, is an eminently desirable thing (see also Appendix 3, Appendix Table 13). Aid becomes unproductive when it bypasses such people, or when it is not used to secure for them what they need for a better livelihood, especially when left *on* their own. What has been observed in Africa over the past fifty years in the arena of foreign aid, is a simultaneous failure of African governments and donors to design workable mechanisms for *effectively* delivering assistance to poor people. It is not true, as is often implied in much of the literature, that a net transfer of foreign resources to poor people in Africa has failed to help them. What has failed instead, are the mechanisms used to deliver aid to poor people.

The claim being made here is that aid delivery methods have not been successful in *getting* aid to poor people or in getting it to them *effectively*. On the latter point, it has to be noted that aid, especially food aid, has reached millions of hungry people in Africa. However, the “top-down” methods used to place food on the hands of starving millions, typically predispose those who survive to further aid in the next period. This may happen either because the mechanism used to deliver aid does not equip food recipients with capacity to deal with weather shocks in the next period, or because people have no access to seeds during the planting season. In short, aid ends up being ineffective, because it is not used strategically.

To make progress in using aid as a key *supplemental* resource in poverty reduction in Africa, the erroneous perception that aid is *bad* for development must be given up in favor of the perception that better approaches to delivering aid to poor communities in Africa need to be designed and implemented. Such approaches should, at least:

- take into account policy environments of countries;
- be based on a genuine partnership between donors and recipients;
- take cognizance of the various facets of globalization;
- give voice and power to beneficiary communities in the design and management of aid supported projects;
- support the private sector, including financial institutions and non-governmental organizations;
- strive to equip beneficiaries to be self-sustaining after the donor assistance is over.

Because of the nature of scope of work, the report necessarily covers a wide range of issues, but in a self-contained manner. The next sub-section provides a brief overview of the organization of the report, indicating where the various issues in it are covered. The overview facilitates the reading of the report.

1.3 Organization of the Report

The remainder of the report is in 7 Sections. The second Section focuses macroeconomic reforms in Africa and the role of official aid in effecting the right kind of reforms. The third Section looks at mechanisms for using aid to reduce poverty and to improve the productivity of investment in countries receiving Japanese Official Development Assistance (JODA). Section four considers the role of Japanese assistance in strengthening regional trade blocks. Section five focuses on institutional and human resource development and Section six examines the interrelationship between poverty, health and education. Section seven considers features and challenges of African agriculture from an international perspective and the need to diversify into non-agricultural activities and Section eight presents the main conclusions of the study and provides a priority of the types of development programs that JODA might support.

2 Aid And Domestic Policy Environment

Can Japanese official development assistance be used to improve policy environments in Sub-Saharan Africa? This is a difficult and yet crucially important question because research on aid effectiveness shows that the effect of aid on welfare of recipient countries depends on the nature of domestic policy environment. A bad policy environment generates poor policies and dissipates aid (Devarajan et al., 2001). On the other hand a *good* policy regime is conducive to productivity of aid and *does* enhance its poverty reduction role.

The relationship between aid effectiveness and the policy environment raises certain obvious questions: For example, what is a "good" policy environment? Can it be promoted by official development assistance? If so how?

A policy environment is a country-specific context that affects the way a country's resources are managed and used. A *good* policy environment, i.e., one which is conducive to growth and poverty reduction includes: absence of high inflation; functioning of foreign exchange and financial markets; openness to foreign trade; effective rule of law; and a functioning system of social service delivery. More generally, a *good* environment for broad-based growth and poverty reduction has the following components (see Devarajan, 2001):

- Macroeconomic policies (fiscal, monetary, and exchange rate etc), which provide a stable situation for economic activity;
- Structural policies (trade, tax, sectoral etc), which create incentives for accumulation by firms and households;
- Effective public sector management (extent to which public sector institutions and organizations facilitate private initiative, via establishment of rule of law, and provision of infrastructure and key social services);
- Social inclusion (the extent to which policy ensures that full participation of the society through social services that reach the poor and disadvantaged, including women and ethnic minorities).

Thus, Japanese ODA loans and other forms of aid to Sub-Saharan African countries can initially be used to modify the above components of a policy environment in mutually desired ways. Since ODA recipient countries typically differ along dimensions of a policy environment, the structural reforms needed to change existing policy regimes would also tend to differ by country.

The key strategic question for Japanese ODA administrators then is whether to deliver resources to implement development projects in a recipient country taking its policy environment as *given*, or to first change it. In the same strategic vein, a recipient country has to decide whether or not to accept aid under conditions imposed by the donor.

The literature shows that all donors have three instruments for influencing domestic policy environments of countries: aid conditionalities, aid money, and technical assistance (Devarajan et al., 2001; also see Section 2 below). However, the outcomes of these policy games are not *always* encouraging. Countries have tended to accept aid conditionalities that they do not believe in, just to get the foreign assistance they need, with the consequence that aid ends up having no effect on the policy environment. Furthermore, in situations where countries accept conditionalities, donors have tended to reduce the volume of aid money to such countries before completion of reforms. And, technical assistance has typically been supply-driven, and has influenced the policy environment very little in Sub-Saharan Africa. The literature also shows that technical assistance that encourages mutual learning has a positive impact on the policy environment and conditionalities are likely to have the intended effects if they have the political support of recipient countries. There is also emerging evidence that continued support of reforming countries would prevent the backsliding of the reform process, which has been so common in Sub-Saharan Africa.

However, good policy environment is not sufficient for poverty reduction and this should be fully recognized by development partners (aid donors and its recipients). Macroeconomic stability, for instance, is a necessary but not a sufficient condition for sustained growth in reforming countries. The second-generation reforms should emphasize institutional and organizational changes as key mechanisms for sustained poverty reduction.

Aid effectiveness research provides information for understanding the channels through which aid can reduce poverty. Aid can reduce poverty through: the financial transfer channel, the conditionality channel, or the knowledge or technical assistance channel.

2.1 Aid as a Financial Transfer

With respect to the financial transfer channel, aid can be effective in increasing-growth provided there is a conducive policy environment, especially a stable macroeconomic regime. In addition, aid can have a large impact on poverty reduction if it is targeted towards those poor countries with reasonably good policies and institutions. There is an efficient way of allocating aid to meet the overall objective of reducing absolute poverty levels in Sub-Saharan Africa. Collier and Dollar, forthcoming, show that by re-allocating aid towards low-income countries with good policies and institutions, the poverty rate could be reduced from 72% in 1996 to 56% by 2015. If, in addition, African governments were to create policy and institutional environments comparable to those in South Asia during their miracle era, the poverty rate would be further reduced to 45%. However, to reduce the poverty rate down to 36%, would require an expansion in the total volume of aid in Sub-Saharan Africa. That is, efficiency in the allocation of aid resources can reduce African poverty up to a point. Beyond that point, additional aid resources to recipient countries are needed. More generally, in some countries, substantial poverty reduction can be achieved through efficient strategies of aid allocation. In other countries, efficiency gains may have been exhausted and additional foreign resources are required.

2.2 Conditionality as Aid, and Related Issues

Conditionality imposed by donors can, when successful, play the same role played by aid money. It can change the policy environment and thus make it possible to reduce poverty without additional resources. Mainly through conditionalities embedded in structural adjustment programs of the 1980s and 1990s, the international community was able to induce policy and institutional reforms in Sub-Saharan Africa, *occasionally* with desirable consequences. Conditionalities can also increase aid effectiveness, which is equivalent to effects of additional resources.

Coordination of efforts of donors should also increase aid effectiveness because it would avoid duplication of support and reduce transactions costs of recipients. Coordination of donor efforts reduces transactions costs of recipient countries through several channels. First, it facilitates consolidation of conditionalities of different donors, thus enabling a country to respond to a single set of issues collectively raised by donors. Second, it helps simplify aid reporting and accounting procedures: beneficiary countries can report to a representative of many donors, instead of having to report to different donors, each with different reporting requirements. Third, coordination can facilitate specialization among donors according to their comparative advantages. For example, some donors could specialize in the financing of infrastructure while others would concentrate in provision of social services. Such specialization, arising from coordination, should increase efficiency in the allocation and utilization of aid resources and do more for poverty reduction than when donor effort is uncoordinated. Lastly, coordination helps reduce the time government officials of recipient countries have to spend on aid matters, releasing such time for other public activities.

As already noted, aid transfers and conditionalities cannot by themselves induce desired reforms. Without minimum domestic political interest in policy and institutional reform, attempts to induce sustained reforms through negotiated conditionalities have tended to be unsuccessful. As reform proceeds, negotiated conditions become less useful, the reform agenda becomes more complex, and a wider group of actors become involved in the reform process. As such it is necessary for the reformers to build a substantial constituency capable of pushing reforms through against vested interests. Hence, the domestic ownership of the reform appears to be more important than negotiated conditions both in getting the process launched, and in the advanced stages, with conditionality being most useful in an intermediate phase. Ownership should extend beyond the government: reformers need to build a broad consensus for change across many interests in society; effective political leadership can build such a coalition for reform. The Poverty Reduction Strategy Process (PRSP) relies on a growth-promoting environment for increasing economic opportunities for the poor. It emphasizes local ownership and a participatory approach to determining priority areas for poverty reduction. It also facilitates greater accountability of public officials. As such the PRSP can create a virtuous circle of growth promoting reforms. An important component of the PRSP is the public service reform program that can improve the effectiveness of public service delivery, enhance accountability systems and increase the overall competitiveness of firms.

2.3 Aid as a Channel of Knowledge Transfer

In addition to being a resource transfer, aid is also a form of knowledge transfer. Extension of technical assistance to poor countries by industrialized nations is the clearest example of aid as a form of transfer of technical knowledge. Management of policies and institutions intended to induce reforms cannot be done by people without appropriate skills and knowledge (Collier, 2001). Japanese ODA can play a crucial role in providing such skills locally or in foreign institutions. However, as much as possible, every effort should be made to provide the skills needed for specific operations locally. Such a strategy of knowledge transfer via aid is likely to lead to a sustainable program of technical training, which is also relevant in solving local development problems.

Aid as a knowledge transfer has various modalities: projects, technical assistance, and research. The main rationale for giving aid in the form of projects rather than programs has been that they appear to facilitate accountability. A way of achieving accountability is for the budget process to be transparent. Transparency is evidenced by rules that govern how government's resources are spent, with resource accounting being done in accordance with those rules. This transparent accounting establishes continuous pressure to ensure that expenditures achieve results in terms of delivery of quality public services.

Forging strategic partnerships between aid and the fast expanding international private capital is also a mechanism for such transfer of knowledge. There is, therefore, a need for expanding the poverty reduction agenda by investigating how the technical knowledge embedded in foreign investment can contribute to poverty reduction directly or through its effects on trade and economic growth.

As already noted, technical assistance is a major component of aid flows; but whether such assistance is useful in reducing poverty depends on whether it is demand-driven. If expatriate experts are not wanted, then they are unlikely to achieve the desired results. Creating a pool of large professionals at the country or regional level can speed this process of knowledge transfer. This can be done by building a generic capacity to help local professionals keep abreast of advances in technical knowledge, and to enable them analyze the changing menu of policy options.

There is need to enhance predictability of aid related to technical training and research, by adopting both a longer time frame in its programming, and more flexible forms of disbursing it. Consolidating accountability systems of the various donors for such aid could improve its effectiveness by targeting it better, and by reducing its transactions costs – costs associated with receiving aid and accounting for its expenditure.

3 Aid, Poverty And Productivity of Investment

Aid, poverty, and low productivity of investment tend to occur together. Indeed, this is invariably so in much of Sub-Saharan Africa. This simple observation however does not indicate causation. People in Africa are not poor because of foreign aid; although such claim can be found in the literature. In the absence of aid, Africa would likely still be poor, probably poorer.

However, at surface of things, it appears that poverty in Africa is the cause of the amount of foreign aid observed in Africa. Of course, poverty as such, cannot be the source of the foreign resources sent to deal with it, but is part of the motivation for the foreign assistance received in Africa. Foreign aid and African poverty are observed contemporaneously because of donors' attempts to improve meager domestic incomes in Africa. Meager incomes in Africa on one hand, and the desire of donors to help fight the poverty associated with such incomes, are the reason for coexistence of aid and poverty in Africa. Therefore, for foreign aid to effectively combat poverty in Africa, it must help deal with the root causes of incomes that cannot sustain a decent standard of living. These root causes are many, but key among them include the following: lack of basic social services (health care, education, water and sanitation), a situation that perpetuates under-development of human resources in Africa; isolation from research activity, world markets, and from modern production and information technology; unsustainable use of natural resources; governance structures that are bad for investment; and institutions and organizations that inhibit competitiveness of firms in world markets.

3.1 Productivity of Human Capital

From the above discussion, it can be seen that one of the most productive ways to use Japanese ODA in Sub-Saharan Africa is to invest it in activities that create opportunities for the development of human resources. Such investments would benefit the poor directly, because as T. W. Schultz (1961) argued, they are part and parcel of human beings. Moreover, improvements in health, education, and nutrition of the poor have feedback effects on labor productivity in industry and in other sectors of the economy.

The competitiveness of the exporting sector for example in the international economy depends on the quality and skill levels of the workforce. Since, uneducated and sickly workers cannot acquire such skills, it is clear that improvement in human capital enhances productivity of physical capital. It is clear from this example that in poor communities, productivity of investment would tend to be low, mainly for two reasons. Workers in such societies lack the skill necessary to fully exploit existing stock of capital. Second, the base for technological advance in poor communities is weak because people spend nearly all the resources they have on survival activities, leaving little aside for knowledge creation.

3.2 Productivity of Physical Investment

All countries in the African region are exposed to risks due to low security, and high transaction costs. They are equally vulnerable to diseases and natural hazards like droughts, floods and fragile ecological systems. These risks can be eliminated by actions at various levels. At the global level, focus can be on creating an environment that induces higher investment in African economies but also fair trade for African products. At the regional level, the main bottlenecks have to do with trade restrictions and other policies that lead to higher transaction costs. Actions at the national and local levels include continuation of policy reforms, particularly those aiming at creating a business-friendly regulatory environment that facilitates private sector development, especially in the area of small-scale, women managed enterprises. Additional priority areas include lowering the cost of capital, and removing restrictions on labor movements. At the household and community levels, priority areas include on-farm diversification, adoption of appropriate technology, local capacity building, and implementation of poverty reduction strategies jointly with local authorities to encourage ownership and sustainability of development projects.

Despite more than one decade of economic reform the level of foreign investment in Africa is extremely low. Measures used by African governments to attract and protect investments from domestic and foreign sources have been covered by investment codes. These codes have been of national or regional natures. For example member countries of CEMAC[1], UEMOA[2], COMESA[3], EAC[4], CBI[5] have or are formulating regional investment schemes. Countries also have bilateral investment treaties, and most African countries are also members of the Multilateral Investment Guarantee Agency (MIGA). All these undertakings are

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[1] Communaute Economique et Monetaire d'Afrique Centrale (CEMAC)
[2] Union Economique et Monetaire Ouest Africaine (UEMOA)
[3] Common Market for Eastern and Southern Africa (COMESA)
[4] East African Community (EAC)
[5] Cross-Border Initiative (CBI)

based on the assumption that there are desirable features specific to foreign investment that would assist their development process. Some of these features include technological and managerial spillovers, access to investment, markets and distribution networks (Njinkeu and Soludo, 2001). This is a valid priority area for Japanese ODA.

Promotion of adoption of appropriate technology in Africa is another way to reduce risk to investments in the region. The technology gap between developed and developing countries is widening. Effective transfer or dissemination of technology at fair and reasonable costs to Sub-Saharan African countries is key to technology adoption in the region. Urgent measures should be taken to modernize administrative infrastructure, to improve regulatory and legislative frameworks, to strengthening social institutions, to create a culture that protects intellectual property, and to develop frameworks for promoting research and development (Njinkeu and Soludo, 2001).

Regional efforts aiming at creating a business friendly environment could be supported by Japanese ODA loans. Examples can be found in CFA[6] countries, where improvements in business environments have led to greater participation in export markets. Efforts have been initiated to finance improvements in business environments via international credits. This has been particularly the case in AFZ region, comprising a total of 14 countries[7].

In the insurance sector, all members of the AFZ signed on July 10, 1992 the CIMA[8] accords harmonizing and unifying practices in insurance activities. This entails the adoption of a single insurance code, a supranational authority for monitoring insurance companies, and a zone-wide conference of ministers to oversee the entire insurance harmonization process. Another objective for cooperation within the AFZ zone was to facilitate savings mobilization and also limit capital flight. Social security arrangements in the zone are being harmonized along the same lines, including a supranational surveillance commission, a common accounting framework, regional supervision and harmonized accounting and financial rules. Business law is being harmonized as well, with the aim of creating a zone-wide court and with the overall objective of attracting foreign investment. This project also covers three non-CFA, but French speaking, countries: Guinea, Madagascar, and Mauritius. Similar undertakings

[6] Franc de la Communaute financiere en Afrique (CFA).
[7] See Njinkeu (1997) ,
[8] Conférence Inter-Africaine des Marchés des Assurances (CIMA).

prevail and/or are envisaged in other regions of Africa. A recent initiative is the launching of an investment guarantee scheme covering several countries of Eastern and Southern Africa. Such regional undertakings aimed at creating a business-friendly environment ought to be an area of attention for Japanese ODA loans.

4 Strengthening Regional Trade Blocs

Large markets facilitate mobility of labor and capital and of goods and services, an aspect which is conducive to efficiency and which creates opportunities for improving equity among residents of a large region. Aid can be used to improve communication facilities within African trading blocs. The flow of trade within regional blocs in Africa is severely limited by poor communication and transportation infrastructure within and between blocs. For example, intra-regional trade within the Economic Community of West African States at the beginning of the 1990s, was only 6% of the total trade of the bloc. The remainder of the trade volume was with industrialized countries. Other trade blocs such as the Southern African Development Community, East African community, and the Common Market for Eastern and South Africa have similar experiences. Aid can be used to develop the infrastructure needed to facilitate intra-regional trade in Africa among countries with trade cooperation arrangements.

The greatest challenge in developing trade regionalism in Africa is not so much the establishment of a common infrastructure, but getting African governments to commit themselves to regional trade cooperation in the first place. There are three problem areas in this regard (Kimuyu, 1999). The first concerns decisions as to how much power to cede to regional trade secretariats. The second is how to raise the human and financial resources needed to make a trading bloc operational. And the third is how to incorporate regionally adopted policies into national development programs. Because of constraints imposed by the above problem areas, regional bodies have little influence on national governments and are often unable to enforce agreed upon treaties. Japanese ODA could be used to strengthen certain technical areas of integration organizations such as their communication and research functions.

5 Institutional Development

One of the constraints on African economic growth is the weakness in its key institutions or their absence altogether. Institutions play a key role in the performance of economies. They regulate transactions in market and non-market settings and are the sources of structure of incentives people and organizations face in all economies. Countries with weak institutions are typically unable to implement or sustain reforms.

What are institutions? Several definitions of institutions exist in the literature. The most stringent definition is that by Douglass North (1990), who defines institutions as the formal and informal rules that structure human interactions. Examples of formal institutions according to this definition include: laws, constitutions, and government regulations in general. Examples of informal institutions encompass accustomed code of behavior, mutual expectations among people, religious beliefs, customs, traditions, and more generally, cultural norms of society. According to the above sets of examples, organizations (e.g., schools, firms, political parties) are not institutions. They are merely actors in the economy, functioning under the incentive structure established by institutions (laws or cultural norms) of society.

A broader view of institutions takes them to mean *rules* plus *organizations*. According to this view, organizations *plus* regulations and norms under which the organizations operate *comprise* institutions (see Reddy, 2001). This is the most widely used definition of institutions, and is the one adopted here. The organizations can be business firms, political parties, banks, cooperatives, social investment funds, professional associations, courts of law and social and business networks.

Institutions affect the nature and scale of economic activities in an economy and thus have a bearing on standard of living. Japanese ODA could contribute significantly in poverty reduction by helping develop institutions identified by countries as necessary for development. In particular, foreign assistance can be fruitfully used to create or reinforce key private sector institutions such as banks, R & D within companies, and small enterprises in rural and urban areas. Aid can also be used to strengthen the rule of law by supporting the work of the courts, the police and the judiciary. Such support could greatly improve governance structures of countries and help to reduce or prevent corruption.

5.1 Community Driven Development

Up till now, African countries have approached development in a piecemeal manner. A more holistic approach to development is needed. In a typical Sub-Saharan African economy, at least three institutional systems influence development. The first is an administrative system (administered by a middle level cadre of government officials) that provides modest services to rural and urban formal sectors of the economy. The second is a system of informal rules and behavioral codes which regulate informal sectors in rural and urban areas. The third is a high level administrative system that serves the export sector and multinational organizations operating within the country. The first two systems serve a large number of people engaged mainly in survival activities in rural and urban areas.

The community driven development (CDD) agenda supposes adequate empowerment of administrative staff at the local arena via effective decentralization of state functions. It is also assumed that local communities are able to plan and implement their own development projects; that project design and implementation processes are inclusive and are free from elite capture; and that local governments have the authority to make budget decisions without interference from the central government. In sum, CDD entails realigning the central government and strengthening of capacity to design, implement, and monitor service provision systems.

Successful community driven development requires strong linkages of farmers and rural entrepreneurs with markets and with sources of market information. Building of such linkages requires in turn, effective administrative and organizational structures at the local and national levels. Examples of such organizations include producers' cooperatives and women's groups that link small farmers and rural entrepreneurs to markets, especially in urban areas.

There is need for partnerships between senior government management with the private sector to help develop and disseminate market information about products and services produced by small farmers and rural entrepreneurs. Development of private sector is crucial for poverty reduction. This means that greater levels of investment are needed in the sector. For such investments to materialize, the overall regulatory framework should allow for the emergence of competitive and efficient markets. In addition to improvements in the regulatory systems, the business environment must be made conducive to human and physical capital investments in rural areas. In particular, the environment should cease to promote urban bias in the location of investment. Key to increased levels of private investment in rural areas is the construction of a reliable public infrastructure there. In sum, a dynamic private sector will emerge provided that there is an enabling business environment, fostered by public-private-partnerships, enforceable contracts and property rights.

5.2 Gender Issues

The relatively recent emphasis in the literature on household economics is consistent with the idea that women have a critical role to play in the development process. Hence, there is need to mainstream gender issues in development projects. In particular, women's entrepreneurship should also be singled out and supported as separate initiatives. Women-managed enterprises have been shown to have higher saving rates. They also have greater chances of growing after being established. Issues of land tenure, water supplies and management are particularly important in Africa because they affect women's participation in market and non-market activities. There is need to evolve policies to address constraints on women's development imposed by issues of land tenure and non-availability of inputs for home and market production. Women groups (associations and cooperatives) can be facilitated by JODA to enable them set up businesses with credit arrangements guaranteed by the state. Such arrangements should work well where members have common economic objectives, such as provision of specific products or services.

5.3 Improving Institutional Mechanisms for Aid Delivery

The African Economic Research Consortium (AERC) recently concluded a project on managing transition from aid dependence (AERC 2001). A major conclusion of the project is that institutions are central for effective delivery of aid by donors and for its effective use by recipients. The study further concluded that (a) foreign aid, when provided in relatively large amounts over an extended period of time, could strengthen or weaken the institutions depending on specific contexts of countries, especially the capacity to absorb aid; (b) the institutional strengthening occurs through an expansion of technical, administrative, and managerial capacities at local levels; and (c) aid can improve or initiate institutional learning. Institutional weakening due to foreign aid occurs when local planning, budgeting and administrative capacities are undercut by aid. The study also found that capacity of national and local institutions can be weakened by uncoordinated multiplicity of donors, uncoordinated aid projects and by high transactions and coordination costs of aid (see e.g., Wangwe, 2001).

Lessons as to how Japanese loans can be delivered and used to avoid dependence can be drawn from the experience of Mali (Njinkeu et al. 2000). Njinkeu and others show that aid dependence has several institutional aspects. The first institutional aspect of aid is its composition, i.e., whether it is bilateral, multilateral or a combination of all these forms. A related point is the mechanism through which donors compete with each other to give aid to poor countries. Competition in aid giving arises because in certain cases, aid could advance national objectives of donor countries. A second feature of aid in Mali was the frequent changes in types of projects it financed. Until 1984, the bulk of aid to Mali was in form of food and related commodities, and the remainder was in form of materials to support infrastructural and agricultural development. Between 1984 and 1988, foreign aid in Mali supported economy-wide programs with emphasis being on multi-sectoral programs. Since 1989 the aid emphasis shifted to support structural adjustment programs. There was focus on non-state actors in the economy (non-governmental organizations), decentralization processes, good governance, transparency and democracy. A third feature of aid giving in Mali was the hesitation of donors when it came to long-term commitments to projects they supported. An assessment based on a total of 976 projects funded by bilateral and multilateral donors between 1985 and 1995 in Mali showed that most (89%) of projects were funded by bilateral donors. Among these projects, there was substantial variability in the amount of funds disbursed as a percentage of committed funds. The percentage of projects jointly financed by multilateral donors varied from around 10% to 100%. On average 30% of projects were funded by multilateral donors.

A fourth feature of aid in Mali was its low level of coordination by either the Mali's authorities or the donor agencies. Inadequate reporting of projects biased the assessment of operational budget of the government, especially in terms of future liabilities. The non-inclusion of all development resources in the government budget distorted project prioritization. This exclusion of foreign resources from the national budget created an incentive for parallel public sector supported by donor funds, e.g., the support given to non-government organizations to provide quasi-public goods such as education, health care and sanitation.

Monitoring of donor supported activities in Mali was imperfect at best. Although project expenditures were monitored by donors, this did not avoid misuse of the funds. Some donors, eager to show success for the projects they supported, paid civil servants supplementary salaries with aid funds to get them committed to those projects.

Some aspects of donor behavior in approving project funds have negative impacts on public service provision. Donors commit to the funding of basic infrastructure but not to its maintenance. In many African countries, government revenue is insufficient to maintain social investments financed by donors. As a result, the investments end up not being fully productive. In the same vein, public servants reduce their work effort in the public service and direct attention to the management of donor projects.

The overall reform required for effective use of aid in Mali would have to include the following elements:

- a partnership involving all the stakeholders at the design, implementation and evaluation stages of projects;
- enhancement of the management of aid-funded projects;
- establishment of a legal framework for project management, and protection of interests of all stakeholders.

Aid delivery in Mali has been improving over the recent past. A new partnership in the country emerged from the comprehensive review of aid to Mali (see OECD, 1998). The main actors in the partnership included the Government of Mali, donors, national, international non-governmental organizations and civil society. Until 1995, three different institutions were in charge of the management of public aid allocation in Mali. From 1994, there was an increasing awareness of the need to coordinate aid. Aid in Mali today is overseen by a committee comprising representatives of government and the donor community. The permanent secretariat for the committee is chaired by a representative of donors, with someone from the Malian Government serving as the deputy. The Committee is in charge of the overall coordination of foreign assistance in the country. Since 1994, several task forces have been created for this purpose.

Suggestions for improving effectiveness of aid coordination in Mali included a proposal to create a planning unit dedicated to coordination of projects financed by different donors. The unit would, among other things, be responsible for setting guidelines for selection of development projects to be supported by aid resources. The organizational structure of all ministries and public institutions would, in the new set up, be adjusted to eliminate possible gaps and overlaps of responsibilities. The new institution is to encourage a move towards greater decentralization of aid activities. In that connection, lower levels of governments would be allowed to negotiate and manage donor funded projects.

The strategies for enhancing aid effectiveness in Africa that have been discussed above have succeeded elsewhere (see e.g., Wangwe, 2001 and Njinkeu et al., 2001). Japanese ODA can improve social and economic development in Africa if it is used to support these strategies.

5.4 The New Partnership for Africa's Development (NEPAD)

The New Partnership for Africa's Development (NEPAD) was born on October 23, 2001, in Abuja, Nigeria. The Implementation Committee of Heads of State, chaired by President Obasanjo of Nigeria, adopted the revised NEPAD document (October 2001 edition) as the original text "embodying the philosophy, priorities and implementation modalities of the Initiative." The name of the initiative, hitherto called the New African Initiative (NAI) was changed to NEPAD (see Kanbur, 2001).

NEPAD will rapidly be given an institutional structure and resources, with a secretariat located in Pretoria, South Africa. According to the communiqué released after the inaugural meeting of the Implementation Committee, preparations are under way to develop specific programs and projects, and to develop proposals for a conference on financing NEPAD, to be held in Dakar, Senegal, in January 2002 (see Kanbur, 2001).

NEPAD is an African institution for initiating sustainable and widespread standard of living in the continent. The NEPAD initiative is based on the following development perspectives:

- A common conviction of African leaders of the need to eradicate poverty and to place African countries on a path of sustainable growth and development;
- A need for smooth integration of African economies into the international economy through consistent elimination of the main structural impediments to growth and development;
- A need for a coherent mobilization of resources into productive activities in order to attract and facilitate domestic and foreign investment.

The low levels of economic activity in Africa means that the instruments necessary for the injection of private funds in economies and for establishing risk-taking mechanisms are not available. Africa's capacity to respond to adverse effects of globalization is weak but the means to reverse this situation are not yet beyond reach. The NEPAD initiative centers on African ownership and management of development projects. It is guided by commonly agreed national and regional development priorities and plans. The Japanese official development assistance can be used to support projects approved by NEPAD.

Key to NEPAD's development strategy is promotion of peace, democracy, human rights, efficient utilization of resources and establishment of regulatory structures that provide the rules of the game for the development of the private and public sectors in the continent. Under NEPAD, priority investment areas include infrastructure, information and communications technology, technical training and human resource development, health, education, agriculture, diversification of manufacturing, and access to industrialized country markets by African exports. Also critical to the success of the NEPAD initiative is effective resource mobilization mechanisms. Of interest here, are institutions and mechanisms for increasing savings and for attracting foreign inflows. This objective can be achieved by encouraging domestic savings, and by meeting conditions required for debt relief. JODA can be used to support financial and regulatory institutions for attracting foreign investments in various forms. JODA can also be used to institute procedures for improving management of public resources.

Investment in regional cooperation and economic integration would increase competitiveness of African products in international markets. Under the NEPAD initiative, five regional economic groupings in Africa are to be strengthened: Central, Eastern, Northern, Southern and Western integration groups. NEPAD focuses on the provision of essential regional public goods (such as transport, energy, water, information and communications technology, disease eradication, environmental preservation, and provision of regional research capacity). Furthermore, intra-African trade and investments are to be encouraged. JODA can support these initiatives.

As is well known, the majority of Africa's people live in rural areas. The urgent need to achieve food security in African countries requires that the inadequacies of agricultural systems be addressed so that food production can be increased and nutritional standards raised. Improvement in agricultural performance is a prerequisite for economic development. Productivity improvement in agriculture rests on the removal of a number of structural constraints affecting the sector. The improvement of other rural infrastructure (roads, rural electrification, etc.) is also high on the agenda of NEPAD. To achieve higher levels of growth and sustainable poverty reduction, Africa needs to mobilize additional resources, both from domestic and foreign sources. With regard to enhancement of private sources (domestic and foreign), this can be done by improving the local investment climate. Equally important, however, especially in the short to medium term, are additional flows of official development assistance and debt relief. The enhanced Highly Indebted Poor Countries (HIPC) debt relief initiative still leaves out many African countries that are suffering from very high debt burdens. An instrument for bringing such countries within the scope of debt relief is the ODA Reform Initiative. NEPAD seeks increased ODA flows in the short and medium term. It also seeks to reform ODA delivery system in order to ensure that aid resources are effectively utilized. In this regard, NEPAD actions would include (1) the institution of an ODA forum for developing a common African position on ODA reform, as a counterpart to the Development Assistance Committee of OECD; (2) engagement, through the ODA forum, with donor agencies to establish a charter for the development partnership; (3) support to the United Nations Economic Commission for Africa (UNECA)'s efforts to establish a PRSP Learning Group; (4) establishment of an independent mechanism for assessing performance of donors and recipients.

The private capital flows initiative would complement the official development assistance component. The NEPAD seeks to increase private capital inflows from outside Africa, as an essential component of a sustainable long-term approach to filling the resource gaps so common in African countries. The first priority action in attracting private foreign capital is to address investors' perception of Africa as a high-risk continent, especially with regard to insecurity of property rights, regulatory weaknesses and lack of markets. Several elements of the NEPADwill help to improve these perceptions gradually, especially given the focus of NEPAD on initiatives for peace and security, and political and economic governance. Interim risk mitigation and reduction measures will be put in place, including credit guarantee schemes and the strengthened investment-related regulatory and legislative frameworks. The next priority for NEPAD is the implementation of a capacity-building program to assist national and sub-national governments in structuring and regulating transactions in the provision of social infrastructure. The third priority is to promote the deepening of financial markets within countries, as well as harmonization of cross-border trade.

The NEPAD offers a new global partnership that promotes the development and strengthening of South-South partnerships. In addition, the manner in which development assistance has previously been delivered creates serious problems. The need for countries to negotiate and account separately to donors supporting the same sector or program is both cumbersome and inefficient. Moreover, the tying of development assistance generates further inefficiencies. NEPAD's objective is to consolidate democracy and sound economic management in Africa.

Its development strategy marks the beginning of a new phase in the partnership and cooperation between Africa and the developed world.

6 Health And Education

6.1 Health

Health continues to be a major concern in sub-Saharan Africa. While improvements are being made, new and emerging problems are frustrating development efforts of the countries in the region. The situation has been compounded by poverty, limited resources, donor fatigue, and civil unrest that has led to massive destruction of health infrastructure and displacement of people, and created a situation of dreadful health hazards.

In recent years, Africa has experienced the emergence of new diseases such as Ebola, hemorrhagic fevers and the reappearance of old ones such as tuberculosis (Cornia and Mwabu, 1997). Human Immunodeficiency Virus (HIV) /AIDS and malaria continue to be most devastating in the region. Other diseases of affluence such as hypertension and diabetes are also increasing. A new approach to addressing these problems within *national health systems* of countries is needed. Japanese ODA can be used to restructure health systems and empower them to deal with the emerging new problems without neglecting the old ones. An in-depth analysis of needs of national health systems would identify priority health projects (e.g., immunizations, health education, malaria research) for support with foreign aid.

The drastic reduction of resources allocated to health ministries in Sub-Saharan African countries, especially over the 1980-2000 period, has led to dilapidation of health facilities and lack of maintenance of medical equipment. Japanese ODA can be used to refurbish or replace essential components of health care system such as operating theatres, primary health care units, training centers for primary health care workers, and cold chains in the case of immunizations.

The substantial efforts of the past four decades by African governments to raise the health status of vulnerable sub-groups have succumbed to recent economic and political crises to the extent that some diseases like trypanosomiasis, hitherto controlled, are re-emerging. Diseases like measles, tuberculosis and tetanus for which effective vaccines exist are claiming an increasing number of lives. Malaria control has become more difficult with the evolution of drug resistant parasites. Malaria accounts for 12% of the total burden of diseases in Africa. Of the 44 million disability adjusted life years lost to malaria worldwide in the early 1990s, 80% of them (35 million) were in Africa (World Bank report, 1993). Furthermore, the arrival of HIV/AIDS pandemic has not only compounded the health care problem, but has in addition increased health budgets to unmanageable levels. Nearly 80% of all HIV/AIDS-related infections in the world are in Sub-Saharan Africa and of 22 million people who have died of AIDS so far, 17 million (77%) are Africans (UNAIDS (Joint United Nations Programme on HIV/AIDS), 2000). Japanese ODA could greatly reduce poverty if it were used to tackle health problems related to malaria and HIV/AIDS.

The health problem in Sub-Saharan Africa is compounded further by lack of appropriate health information. Countries lack treatment and prevention information about key diseases such as tuberculosis, malaria, leprosy, poliomyelitis, measles, among many others. Japanese ODA can be used to make information about the treatment and prevention of these diseases widely available to the population. Such information should greatly curtail disease epidemics in Africa.

Health expenditures in African health sectors are skewed heavily towards staff emoluments, leaving only 30% for operations. There is need to examine ways of re-allocating health budgets in health ministries in favor of services that are used predominantly by the poor, especially primary health services in rural areas where the poor are concentrated. Japanese ODA can be used to support such services.

This sub-section concludes with a brief and *selective* description of key health care concerns in Kenya. While the health situation in that country, is not representative of situations in other Sub-Saharan countries, the information provided might have policy lessons of relevance for other countries (see Appendix Tables 5 and 6).

In Kenya, the majority of rural households have no access to safe water or safe sanitation. About 57% mothers deliver at home and 38% are not immunized against tetanus. Malnutrition contributes significantly to poor health and 37% of children are stunted (Institute of Economic Affairs, 1998).

The government remains the primary financier of health care, meeting half of the national recurrent expenditure. Private sector expenditures account for 42% of total health care spending, while expenditures at missions, companies, non-government organizations account for 7%.

Current health problems in Kenya are compounded by devastating effects of HIV/AIDS. Approximately one million children are estimated to be infected with HIV virus. The number of AIDS orphans was 600,000 in 2000, and is projected to increase substantially over the next decades if effective measures are not taken to contain the epidemic (Manda, Kimenyi and Mwabu, 2001). AIDS is seriously straining hospital health care resources. In 1992, nearly 15% of hospital beds were occupied by AIDS patients, and this percentage could quickly rise to 50% in the near future. Other problems in the health sector include unavailability and high cost of drugs, and poor access to basic health care, especially in rural areas and a sharp decline in life expectancy starting in the 1990s because of HIV/AIDS. The health gains in life expectancy over the period 1980-95 (see Appendix Table 10) have been severely eroded.

Policies and measures to promote better health care in Kenya, and possibly in other Sub-Saharan countries (see Mwabu et. Al. 2001 for the case of Cameroon) might include the following:

- Improvement in maintenance of health facilities and medical care equipment.
- Strengthening of preventive healthcare through, for example, immunization campaigns and health education.
- Improvement in the management of childhood illnesses.
- Strengthening of curative health services through provision of essential drugs especially in rural areas.
- Improving occupational health and safety at work places.
- Intensifying treatment and prevention of HIV/AIDS diseases.
- Developing methods to treat and control malaria, which is the reason for much of the outpatient morbidity reported presented at health facilities.
- Developing medical, social and political mechanisms for mitigating impact of HIV/AIDS.

6.2 Education

Educational achievements in Sub-Saharan Africa are quite low, especially in rural areas (Appedix Tables 7 and 8). One reason for this is unaffordable high cost of education. The cost of education especially in primary schools is a large burden on households. Expenditures on textbooks, school development funds, hiring of teachers and frequent and unplanned levies take a large share of households income. Given that poor households in Africa spend 70%-80% of their budgets on food, many households must be unable to meet educational expenditures under these circumstances. Japanese ODA can be fruitfully used to fund production of education materials, particularly textbooks, uniforms and consumables for school laboratories in an effort to lower the prices paid for these items by parents in form of school fees.

Sub-Saharan countries are struggling to achieve the international goal of universal education for school-aged children. This is proving to be difficult because of high drop-out rates and poor enrolment rates. The situation is particularly bad among girls. Japanese ODA can be used to subsidize provision of education for girls. The subsidy can take the form of aid-supported government grants to girls' schools. Japanese aid can also be used to train female school teachers, who in addition to providing much needed instruction, might serve as role models for girls, especially in rural areas where girls are raised to perform domestic activities prescribed by cultural norms. Educational investments appear to have very high payoffs in terms of poverty reduction in Africa (see Appendix Tables 3 and 4).

Poverty profiles by education achievement suggest that increasing opportunities for schooling, training and employment is important in combating poverty in sub-Saharan Africa. The poverty rate generally declines as the level of schooling of the household head increases. Poverty is highest among people without any schooling and there is virtually no poverty among households headed by university graduates. Likewise, household consumption increases with average education of the household. In Kenya, a 10% increase in mean years of education in a household would increase total and food consumption expenditures by 13.8% and 11.1% respectively (Mwabu et al (2000)). Thus, other things being equal, an increase in overall skill level in a household, irrespective of the identity of the households' member with the skills, would reduce household poverty.

Universal primary education is crucial for poverty eradication. In Uganda there has been a tremendous increase in primary school enrolment rate for children from households in the poorest 20% of the population. However, in many African countries, rural-urban differences in enrolment continue to be substantial (Ali and Thorbecke, 2000). Financing educational programs that would reduce these differences constitutes a priority for JODA in the African region.

Although secondary and post-secondary education have the largest effect on poverty reduction, in the initial stages, priority should be on universal primary education. Without universal primary education, opportunities for higher levels of schooling (and for remunerative employment) would not be equitably available to all. Thus, universal primary education should be a priority investment in Africa.

Functional inefficiencies in education management have also prevented improved educational outcomes among the poor. The poor quality of public education also stems from the inefficiencies in the delivery of education, including:

- Highly centralized decision-making and lack of parent and community participation;
- Weak policy-making and planning capacity in the education ministries;
- The lack of a management information system and a standardized evaluation system as decision-making tools; and
- Discrepancy between pay and performance of teachers and administrators.

While such inefficiencies are not limited to the poor, the resulting quality of the education received by the poor lags that of the non-poor. Four major policy objectives would be equity of access; quality improvements; institutional efficiency with an emphasis on decentralization of administrative and educational decisions; and expanded community and family participation. JODA can support educational endeavors in these directions.

The key challenge for translating African educational policies into actions and for reducing disparities in human capital is to reallocate public spending on education, such that a larger share benefits from public education can accrue to the poor.

After achieving primary education, efforts should be geared towards improving quality of education by for instance by increasing teacher-student ratio and making instructional materials broadly available. . There is also need for expansion of secondary education and promotion of vocational training for the poor. The institutional and organizational structures needed to ensure an efficient utilization of resources has not been adequately developed in Africa. Rural schools where many of the poor are to be found remain poorly equipped with teachers, supplies and physical infrastructure compared to urban schools. These inequalities must be addressed with JODA support.

6.3 Synergy between Education and Health

Provision of healthcare and education as a *package* is more likely to stimulate development and improve the quality of life than when these services are provided independently of each other. Both of these services improve the well-being of people directly, in addition to increasing labor productivity. Health services help reduce and prevent diseases, thus reducing the pain and suffering associated with illnesses. In the same vein, education helps in the acquisition of knowledge, skills and values, and thus widens an individual's ability to understand the world in which he lives. The literacy and numeracy skills acquired through schooling further enable an individual to perform non-income earning tasks such as reading and calculations, which have intrinsic values.

In addition to intrinsic values of health and education, these two aspects of human capital increase an individual's productivity, thus enabling him to meet basic necessities of life such as food, housing and security. When provided together, healthcare and education services complement each other in improving the well-being of people. For example, better health is critical to achieving good education and the vice-versa. No wonder that in most statistical studies of the relationship between health and education, it is shown that these two phenomena are closely linked. JODA should be used to finance health and education programs in a complementary manner.

7 African Agriculture

7.1 Features of African Agriculture

Agriculture is a dominant sector in sub-Saharan Africa, except in South Africa, where it accounts for a tiny fraction of the Gross Domestic Product (GDP). In most countries, the contribution of agriculture to GDP, export earnings and employment is on average 35, 40 and 70 percent respectively. Above all, small-holder agriculture is the source of food for the bulk of the African population. Development of agriculture is not only important for industrialization (because of the spillover effects it creates) but also for food security and for improvement in the general nutritional status of the population.

Africa's agricultural productivity remains low with average agricultural value-added per agriculture worker during 1994-96 was 85% of the average for the developing countries and only 17% of that of the East Asia and the Pacific region. The average agricultural value-added per hectare of agricultural land in the mid 1990s was about a third of the average for all developing countries and only 13% of that of Latin America and the Caribbean. In 1995, only 7% of Africa's land area was used as cropland compared to 11% for all developing countries and as high as 45% in South Asia. African agriculture is predominantly rain-fed with only 4% of cultivated area irrigated despite the recurring droughts thus making agriculture an inherently risky undertaking. Fragile farming systems add to this problem due to heavy reliance on extensive cultivation techniques. As a result of extensive cultivation, agricultural production growth is achieved through expansion of cultivated area. There is limited application of modern fertilizers. The level of innovation in much of Sub-Saharan agriculture is very low due to weak research and extension systems whose rate of relevant technological innovation is low.

Soil and water constraints block the direct application of imported farm technologies. Civil disturbances disrupt agricultural activities in many parts of Africa and put pressure on already non-competitive farming. Social infrastructure is poorly developed in the rural areas, which is a source of high transport costs and low competitiveness of agricultural produce. The problem of non-competitive farm produce is particularly severe in land-locked countries.

Cropland is least irrigated in Africa among all developing-country regions with only 4% of cropland irrigated in 1994/96 compared to an average of 20% for all developing countries and as high as 35% for South Asia. Africa exports are dominated by agricultural commodities than in other developing region. Although concentration on a narrow range of agricultural export commodities might suggest comparative advantage in producing these crops, Africa has not been able to maintain world market shares in these commodities. In some cases, the continent has lost world market shares in these commodities. Compared to other developing regions, Africa lags behind in food production. Between 1979 and 1996, the food production index for Africa rose by 43% against a 69% increase for all developing countries, and it is only two-thirds of the East Asia and Pacific regions. Food aid receipts by African countries had an average annual growth rate of close to 14% during 1975-80, and stood at 20% in 1980-85, and was around 15% in the mid-1990s.

There are reasons for the mediocre performance of African agriculture: the unfavorable natural environment, political and security problems, institutional and incentive constraints imposed by both macroeconomic and sector-specific polities. The incentive problem further erodes the competitive position of agriculture, especially the heavy direct and indirect taxation of farming activities. These problems have included adverse producer price policies, usually effected through commodity marketing boards; overvalued national currencies that reduce the real domestic prices of export crops; and cumbersome licensing procedures that discourage exports.

An improvement in agricultural policies is crucial for recovery and growth of African agriculture. Poor infrastructure, poor access to technology, missing and imperfect markets, are an impediment to African agricultural development.

Stimulating agriculture in present day liberalized global trading environment, requires that more attention be given to measures for enhancing agricultural productivity and competitiveness. Japanese ODA can be used to fund activities associated with agricultural productivity such as provision of extension services, agricultural research, and infrastructure for marketing farm produce.

Agricultural development must form an integral part of sustainable development strategy in African countries. The following three alternatives could be pursued (Jensen and Tarp 2001).

- An agriculture-first strategy that mainly focuses on primary production technologies and improving marketing systems;
- An agricultural-led industrialization strategy that adds improved agro-industrial production technologies on top of the basic agriculture-first strategy;
- A primary sector export-oriented development based on increased agricultural productivity combined with increased production of quality export crops.

Increases in agricultural productivity or reduction in marketing margins leads to significant economic expansion. Improvement in agricultural production technologies has to go hand in hand with improvements in marketing infrastructure, otherwise the cost of marketing could eliminate all the positive effects.

Attempts at capturing agro-industrial development shows that there is an important synergy between agriculture and industry. Thus, improvements in agro-industry technologies are vital components of an agricultural development strategy. With respect to a primary-sector export-oriented development strategy, a combined strategy of improved production technologies and increased quality of production in agricultural export sectors can lead to strong economic expansion. But such an expansion alone may not be effective in alleviating poverty, as economic expansion is mostly the result of expanded demand. The World Trade Organization negotiations that primarily focus on export-led growth, aim at securing market access for agricultural exports. Such negotiations may have to be downplayed in favor of general development issues (Oyejide and Njinkeu, 2000).

7.2 Developing African Agriculture

It is important to recall that African rural poverty is extensive and deep, with some food growing African regions starving because of food shortage. Because of income and price inelastic demands for basic food stuffs, it would be difficult for rural regions to generate sustained growth in agriculture without participating in international trade. The African agricultural market share for agricultural staples has declined from 8.6 percent in 1961 to 3.0 percent in 1996. In addition, the purchasing power of the export revenues has also declined. There is an urgent need to establish arrangements that would allow African countries to take advantage of international trade. Several examples of success in this respect, such as Kenya's non-traditional exports (fresh fruits, vegetables, and flowers), Tanzania's cashew nut exports, and Cameroon's and Cote d'Ivoire's bananas exports to the European Union show that African countries can participate effectively in international markets. Japanese ODA should support institutional and organization arrangements that sustain and widen such participation.

African countries also need to increasingly add value to locally grown agricultural products before they can ripe the benefits of globalization. But this agriculture-led industrialization strategy could be curtailed by tariff escalation in industrial countries, and deficient local processing. Japan can play an important role in protecting African countries from unfair tariff barriers in industrialized countries.

African agriculture is significantly penalized by Sanitary and Phytosanitary measures. The WTO Sanitary and Phytosanitary Measures (SPS) agreement covers food safety and protects animal and plant health. The agreement does pose important problems to African countries and firms. African countries interests and capacity were not properly incorporated in the agreement contrary to their developed partners. The agreement leaves several possibilities of abuse by those Members with relevant capacity. In particular, developed countries have been able to use environmental concerns to further protect their agriculture by restricting imports from developing countries, especially in Africa. African countries do not have the human and infrastructural capacity, especially in terms of laboratory services, to ensure that their exports meet the required standards in industrialized nations. Through its ODA, Japan can assist African countries to review unfavorable trade practices of their trading partners in the industrialized countries.

Weak technical capacities in Africa are a major constraint on African agricultural exports to industrialized countries. For example, there have been sanitation related problems with respect to meat from Burkina Faso and Botswana; fish from Kenya, Uganda and Senegal; and fresh fruits and vegetables from Kenya. Similar problems have been encountered with other agricultural trade agreements. Overall, the compliance cost with trade agreements for African countries is quite high. Finger and Shuler (2000) provide a conservative cost of US$ 150 millions for a typical African country to fulfill the requirements of three agreements: the SPS, customs and intellectual property rights.

7.3 Meeting the Challenges of Agricultural Development

One of the greatest challenges in African agricultural exports has to do with Uruguay Round of Talks and with various trade protocols of WTO. Most African countries are unable to comply with WTO requirements. African development partners, particularly Japan (because of its pre-eminent position in international trade) could help in renegotiating some of the export conditions imposed by the WTO. Japan can also help remove domestic trade distortions in Africa, especially those that can improve the allocation of resources and increase investment and profitability in agriculture. Further, assistance could be provided in the area of promotion of export diversification and in identification of new markets. A third area that could be assisted is business networking, to ensure well coordinated sale of agricultural produce in spot and futures markets. Business networks require substantial managerial skills to operate. Key to success of such networks are adequate storage facilities and quality controls in all phases of the product cycle. Japanese ODA can be used to train mangers of business networks in Africa.

It is anticipated that agricultural trade reform would increase world food prices and would hurt low-income food-importing countries, especially the poor. However, with adequate policy, these countries could convert the associated losses into a net gain (Ingco, 1997). However, in the short run, the cost of avoiding losses arising from reforms can be high. This aspect is reflected in the Uruguay Round through the Marrakech Decision on net food importing developing countries. The least developed countries under the Marrakech agreement provide food aid.

Food insecurity is a major challenge for most African countries. Food insecurity has even increased with worsening poverty levels. This is partly the result of neglect of agricultural sector during the structural adjustment era in Africa. The solution to African food insecurity requires a proper integration of short and long-term dimensions of the problem. Some short-term solutions could become long-term problems. Short-term solutions could include food aid, as long as aid does not depress food prices in Africa. A fall in food prices due to large quantities of food aid could be a disincentive to agricultural production and eventually create dependence on imported food. There are two key elements in the design of food security systems in a globalized world. The first involves reducing protection to farmers in developed countries. Reducing protection for farmers in industrialized countries would increase competitiveness of African farm exports in international markets (because tariffs on African products would be lowered; or production subsidies on farm products of industrialized countries would be lowered). The second aspect in the design of African food security system has to do with reduction in volatility of domestic food prices. Stabilization in food prices is likely to create incentives to invest in food production.

Overall promotion of agricultural productivity however is the main channel for making Africa food secure. This in turn requires increasing performance in non-traditional agricultural exports and in promoting specialization in higher value agricultural commodities. In Sub-Saharan Africa, 60% of countries are net importers of food while the remaining 40% are net exporters.

A country's food security is also critically dependent on availability of foreign exchange with which to import food. Two indicators can be used to measure a country's capacity to obtain food from international markets (see Ingco et al., 2001). The first is Food Import Capacity (FIC) index, defined as the ratio of food import expenditure to total export revenue. The higher the FIC, the greater the risk of food insecurity. The second is the Agricultural Tradeability (AT) index, defined as the ratio of the value of agricultural trade (i.e., the sum of agricultural import expenditure plus agricultural export revenue) to GDP. The higher this index, the smaller the risk of food shortages.

These two indices can be used to determine when a country's food security is at risk. The FIC index is used primarily as an indicator of the demand for foreign exchange needed to finance food imports. Table 1 provides the level of the FIC over the post-Uruguay Round period, 1995-97. Except for countries such as Angola, Cameroon, the Republic of Congo, Cote d'Ivoire, Equatorial Guinea, Gabon, Namibia, Nigeria, Swaziland, Uganda and Zimbabwe all other Sub-Saharan countries shown in the table have an FIC ratio of over 10% and are thus quite vulnerable to food shortages.

The AT ratio is used to capture the extent to which the agricultural sector is directly affected by developments in world markets for agricultural products. It reveals the extent to which world market fluctuations can affect agricultural incomes. Appendix Table 1 shows significant variability of this index across Sub-Saharan African countries. The combined information from these indicators (FIC and AT) is a good proxy of the effect of trade negotiations on agricultural markets. For example, trade negotiations which would enable African countries to access markets in developed countries would help net exporters of agricultural commodities in Africa. A common concern of all African countries is the possibility that developed countries could use contingency measures, SPS and Technical Barriers to Trade (TBT) to further protect their markets.

7.4 Domestic Agricultural Policies

Agricultural prices remain a critical component of the production incentives provided to farmers in sub-Saharan Africa (Ingco et all 2001). The extent of economic distortions created by these incentive policies can be indicated by the share of the border price received by producers. Appendix Table 2 provides percentage shares of the border prices received by producers in selected countries. Figures of 70 per cent or more are encountered in a few countries only: Cameroon for cocoa and coffee; Kenya for coffee; Madagascar for coffee; Mauritius for sugar; Nigeria for cocoa and rubber; Tanzania for coffee and cashew nuts; Uganda for coffee; and Zimbabwe for tobacco and cotton. The shares for coffee in Uganda and Tanzania are comparable to shares of the best performing coffee countries producers worldwide. South Africa is an exception with all products covered having a ratio in excess of 80% except for oranges. These data show that overall and sectoral policies matter. That is, a change in policies can affect incomes of farmers. The coffee sector is liberalized in most countries in all the countries shown in Appendix Table 2, except Cote d'Ivoire. The cocoa sector is still problematic in Sub-Saharan Africa in general, partly because of delayed or failed liberalization in major producing countries. Only Cameroon and Nigeria among the major producers have liberalized the cocoa sector. In Cote d'Ivoire, the tax element is 53% of the cocoa price. In Ghana marketing boards impose on farmers an implicit tax of 49%. In Ghana and Cote d'Ivoire, the highest share of the cocoa border price is under 50%. In Cameroon and Nigeria, the shares of border price received by farmers are above 75%. Most farmers receive between 40 and 69 percent of *free on board* price because of costs incurred to transport produce from farms to the port. Factors explaining these price wedges include agricultural and macroeconomic policies, road density and quality, credit availability, and crop trade volumes (Townsend, 1998). Controlled marketing systems of agricultural produce distort market price signals in many African countries. The effect of these systems is to lower the final price received by farmers. The benefits of devaluation that typically accrue to exporters of agricultural produce are substantially eroded by inefficiencies and rent seeking practices of marketing boards.

JODA needs to entertain a broad focus, addressing the long-ignored issues in African rural development. Most African poor live in rural areas yet there is an important urban bias in most countries. Reduction of rural poverty is likely to be achieved using a holistic approach to rural development, which emphasizes agricultural productivity, creation of rural non-farm employment and protection of natural resources and environment. In the African rural areas we can distinguish between four main categories of economic activities, namely: commercial farming, small family farming, subsistence oriented farming, and non-farm activities in formal and informal sectors, which have a base in agriculture. In turn, growth in the non-farm sector promotes agricultural production and employment.

Commercial farming activities can be promoted through a range of policies which improve rural-urban linkages. In this connection, investment in rural transportation and communication infrastructure, such as rural feeder roads, telephone and postal services, and market centers is particularly important. Small family farming activities and small scale non-farm enterprises are vulnerable to globalization forces, especially those that make markets more competitive. Although such forces are good for efficiency, they could worsen income distribution because they tend to benefit economic agents which are able to compete on a regional or international scale. There is thus a need to build social safety nets to deal with adverse effects of globalization.

To facilitate transfer of appropriate technologies to rural areas, there is need to strengthen both the public research capacity and national extension systems. National agricultural extension systems have a long history in Africa but the extent to which they have improved agricultural production remains controversial (see Blindlish and Evenson, 1997; Gautam, 1998). JODA can be used to identify the types of agricultural extension systems that need to be supported before investing in extension systems. Moreover, given the important role of rural non-farm sector in agricultural development, extension services for non-agricultural enterprises should be developed. In Sub-Saharan Africa, around 45% of household income in rural areas comes from non-farm activities (Reardon, 1997). Thus, although the primary focus in rural development should be agriculture, where most of the poor earn a livelihood, poverty reduction strategy needs to be broad-based, and should include support for non-farm activities.

Rural finance is an important factor in rural poverty reduction, but rural credit markets are undercapitalized, and availability of credit to the poor is severely limited. Japanese ODA could be used to finance completion of financial sector reforms; programs to enhance growth and competition of financial markets; implementation of policies that would improve performance of rural financial institutions; and to finance establishment of micro-credit programs for rural agro-industries and traders.

8 Conclusions And Policy Priorities

8.1 Main Conclusions

The main conclusions of the report may be summarized as follows:

- Maintaining a stable macro-economic environment is a necessary but not a sufficient condition for using aid as means of reducing poverty in Sub-Saharan Africa.
- Good policy and institutional environments matter for aid effectiveness because they facilitate integration of aid into national development priorities and create conditions for broad participation of citizens of aid recipients in determining their development agenda, and in ensuring that donor priorities complement their own.
- By and large, most African countries have implemented the minimum package of structural and macroeconomic reforms and need now to move to the second generation reforms, entailing mainly institutional building and human resource development.
- Aid to low-income countries in Africa is likely to reduce poverty in countries in which governments are supportive of needed policy and institutional reforms.

- Transfer of technical knowledge to Africa, especially through the strengthening of local research capacity has the promise of transforming low productivity economies for the better.
- Reducing transactions costs of aid delivery, for example by coordinating activities of donors within a country is likely to improve aid effectiveness. There are two ways of coordinating aid. The first is to integrate it within a country's budgetary and accounting systems. The second is to set up an agreed, common system for monitoring the use of aid from various sources.
- Aid delivery systems should complement but not displace local managerial capacities or distort national systems of social provision.
- Aid may be used to support diversification of exports and to establish incentive structures for promoting foreign and domestic investment.
- Donors should improve predictability of aid resources to permit better financial planning by recipients.
- Donors should untie aid from traditional forms of aid tying, such as expatriate technical assistance or purchases from donor countries, as these requirements tend to be counter-productive.
- Aid resources should be used to improve human resources according to priorities set by national governments.
- Aid can strengthen national organizations by expanding technical and administrative capacities of recipient countries through training of staff, and by involving them in activities from which they can learn technical knowledge by doing.
- Aid can weaken recipient country institutions by undermining national planning, budgeting and administrative capacities.
- Donor assistance can be counter-productive if it were to weaken political accountability and legitimacy in recipient countries.
- Aid could reduce the sense of initiative and responsibility on the part of individuals in beneficiary countries, if donors do not facilitate local ownership of the development projects they support.

8.2 Prioritization of Development Programs

In view of the large menu of development activities discussed in this report, there is need to prioritize them. We use three criteria to prioritize and sequence development programs discussed in this report. First, the programs should have a direct impact on the poor, since the aim of implementing them is to reduce poverty. Second, the programs should be consistent with sustainable development, i.e., programs should be sustainable and their benefits should be long-term. Third, there should be institutions at the global, regional, national, and local levels that have a comparative advantage in implementing the programs, e.g., NEPAD.

Programs may meet the second and third criteria without satisfying the first. However, since such programs would stimulate sustainable and widely shared development, and they are recommended for JODA support.

In summary, programs that can be shown to have a direct impact on poverty reduction should have the first call on a country's resources (including those provided by JODA). Programs that promote sustainable and widely shared growth are ranked next in terms of priority. Programs which promote efficiency, especially because they can be implemented effectively either at global, regional, national or local levels by particular institutions which already exist in Africa are ranked in the third category. For the sake of flexibility, we provide examples of programs that could belong to one or the other of the above categories, without drawing up a list of specific projects or programs to be supported.

NEPAD provides a simple example of programs that should be supported by JODA as a matter of priority. Recognizing the need to sequence and prioritize, the NEPAD initiating Presidents proposed that the following programs be *fast-tracked*, in collaboration with development partners:

(a) Communicable diseases—HIV/AIDS, malaria and tuberculosis;
(b) Information and Communications Technology;
(c) Debt reduction;
(d) Market access.

In the above list, category (a) is an example of programs that have direct impacts on the poor. More generally, all education and health programs belong to this category.

We recommend JODA support for *primary health care* programs and for *basic education* (primary and secondary education), with a bias on *rural-based programs* because the majority of the poor in Africa reside and work in rural areas. Support for *agricultural* development is also recommended under this category because of the critical role of food production in reducing food poverty in both rural and urban areas.

Categories (b)-(d) are examples of programs that may not have direct impacts on the poor but which may have large long-term development pay-offs. The programs can also be implemented effectively at global, regional, national and local levels. NEPAD, for example, can play a critical role in the implementation of programs listed under (b)-(d). The comparative advantage of NEPAD stems directly from its origins and status as a Regional institution with roots in African democracies. These twin features determine the level at which the institution is most likely to be effective, and the issues on which it is likely to have greatest credibility. Thus issues for which an Africa-wide perspective emanating from democratically elected African leaders is essential, are likely to be the issues on which NEPAD has a comparative advantage relative to the many other institutional arrangements which already exist in Africa.

On programs which have indirect and long-term impacts on poverty, as the economy as a whole develops and prospers, we recommend for *infrastructure investment* in rural and urban areas, and for *high technology manufacturing*, especially in urban areas. Direct investment in health facilities and equipment in poor areas, or the development of an effective anti-malaria vaccine, are examples of programs that can be supported under this category. Programs to increase the share Africa's trade in the world economy, e.g., the various regional integration schemes, and trade agreements are to be supported under this category. Also under this category are Africa's possible response to the US African Growth and Opportunity Act, cross-national issues within Africa like water rights or infrastructure, or regional trade agreements and, most crucially, peace and security within Africa. Programs to deal with these issues can best be addressed at the global level under the umbrella of NEPAD.

Programs that improve domestic environment mainly promote sustainable and long term development, but their implementation is typically at the national level. Examples of *reforms* and *policies* that JODA can support under this category include: exchange rate policies, sound public finances, trade liberalization, privatization, the budget for education and health, establishment of a well functioning legal system, democratic governance institutions and free press.

Appendices

Appendix 1: African Objectives and Concerns at WTO Agricultural Negotiations

The main objectives and concerns of African countries at WTO agricultural negotiations can be summarized as follows:

- Tariffs on African farm produce in international markets are not conducive to agriculture-led industrialization and their reduction and eventual elimination is necessary.
- Tariffs on African agricultural commodities by industrialized countries need to be cut from their current high levels using appropriate formula.
- Reduction of non-tariff barriers on African food exports such as sanitary measures are counter-productive to African agriculture.
- Assistance in capacity building to enable them to take advantage of new market opportunities offered by the liberalized international market.
- Adjustment of rules and conditions of implementation of WTO agreements to make them less stringent on African countries, especially those concerning implementation commitments to be carried out by developed countries.
- Ability of African countries to comply with WTO regulations is limited and this needs to be taken into account in fixing trade standards to be met by their agricultural products and in detecting violations of trade agreements. African countries for instance have weak capacities to design effective anti-dumping measures or to satisfy strict sanitary requirements for food exports.
- Important African agricultural products are currently being traded under preference schemes, the most important of which is the African, Caribbean & Pacific countries and European Union (ACP-EU) arrangement. The trade chapter of Cotonou Agreement for the ACP-EU is yet to be negotiated. It would be crucial that trade protocols under this arrangement be made WTO compatible, but with African privileges protected. This may constitute the most important Africa-specific request at WTO negotiations.
- All members of the WTO should adhere to international standards, guidelines and recommendations when adopting sanitary and phytosanitary measures and technical barriers to trade. Furthermore, African countries should be included in the decision-making forums that establish such standards.
- "Special and differential treatment" provisions for African, and other least developed countries should be an integral part of multilateral trade negotiations.
- Unfair competition in agricultural exports is practiced by developed countries and this undermines Africa's agricultural development.

- Raising price of agricultural products in Africa would need liberalizing local trade and eliminating policy biases against agriculture. African countries would need assistance from donors in this respect.
- Eliminate policy distortion in developed countries that have negative effects on African agriculture such as subsidy scheme in OECD countries.
- The export subsidy regulations need to be properly reviewed with a move towards development of agreed terms to govern the provision of export credits, export credit guarantees and insurance programs.

In summary, the main objectives of African countries in agricultural negotiations at the WTO include securing assistance to build capacities in agricultural trade in Sub-Saharan Africa; obtaining a forum to discuss agricultural trade issues; securing technical assistance in trade dispute resolutions; advocating for better market access in industrial countries; accessing and maintaining trade-related databases for use in advancing own agricultural interests; helping to build coalitions, and seeking common developing country positions in multilateral trade negotiations.

Appendix 2: Appendix Tables

Appendix Table 1 Agricultural Tradeability (AT) and Food Import Capacity (FIC) Indices for Sub-Saharan African Countries, 2000.

Sub-Saharan African Countries	AT index	FIC index
Angola	0.78	0.08
Benin	0.40	0.24
Botswana	2.68	0.12
Burkina Faso	0.28	0.25
Burundi	0.24	0.46
Cameroon	0.19	0.05
Cape Verde	2.07	4.67
Central African Republic	0.18	0.14
Chad	0.33	0.21
Comoros	0.37	2.80
Congo, Dem. Rep.	0.10	0.48
Congo, Rep.	0.54	0.07
Cote d'Ivoire	0.92	0.09
Djibouti	5.95	2.87
Equatorial Guinea	0.17	0.09
Eritrea	0.98	0.64
Ethiopia	0.21	0.45
Gabon	0.42	0.04
Gambia	0.93	1.99
Ghana	0.32	0.17
Guinea	0.37	0.45
Guinea-Bissau	0.40	0.89
Kenya	0.64	0.16
Lesotho	1.95	0.85
Liberia	-	0.18
Madagascar	0.21	0.22
Malawi	0.73	0.18
Mali	0.33	0.15
Mauritania	0.75	0.28
Mauritius	2.25	0.15
Mozambique	0.40	0.94
Namibia	0.92	0.08
Niger	0.21	0.28
Nigeria	0.17	0.07
Rwanda	0.24	0.91
Sao Tome and Principe	1.06	1.01
Senegal	0.60	0.42
Seychelles	2.31	0.69
Sierra Leone	0.42	1.28
Somalia	-	0.39
Sudan	-	0.38
Swaziland	2.31	0.09
Tanzania	0.25	0.21
Togo	0.35	0.22
Uganda	0.20	0.08
Zambia	0.17	0.04
Zimbabwe	0.97	0.06

Source: Ingco and Winters (2001).

Appendix Table 2 Producer's Share of Border Price by Export Crop, 1998

Country	Commodity	Producer's share of F.O.B. Price, i.e., Proportion of Price Received by Producers (%)
Benin	Cotton	37
Burkina Faso	Cotton	35
Cameroon	Cocoa	76
	Coffee	73
	Cotton	51
Chad	Cotton	36
Cote d'Ivoire	Cocoa	46
	Coffee	62
	Cotton	47
Ghana	Cocoa	39
Guinea	Cocoa	68
Kenya	Coffee	73
	Tea	53
Madagascar	Coffee	70
	Vanilla	33
Malawi	Tobacco	60
Mali	Cotton	44
Mauritius	Sugar	94
Mozambique	Cotton	64
	Cashew	51
Nigeria	Cocoa	98
	Rubber	100
Senegal	Cotton	47
	Groundnuts	51
South Africa	Maize	93
	Oranges	50
	Apples	93
	Sugar	92
	Wool	89
Tanzania	Coffee	77
	Cotton	64
	Tea	58
	Cashew	71
The Gambia	Groundnuts	60
Togo	Cotton	39
Uganda	Coffee	72
Zimbabwe	Tobacco	79
	Cotton	88

Source: Townsend (1998), World Bank and IMF data

Appendix Table 3 Poverty by Education Attainment of Household Head, Kenya

Education Attainment	Population (%)		Head-count ratio	
	Rural	Urban	Rural	Urban
None	33.5	9.6	64.0	66.0
Primary	46.1	35.9	53.6	63.9
Secondary	19.3	44.7	33.4	38.8
Higher (form 5 to university)	0.4	5.6	6.8	14.3
Other (technical/formal)	0.8	4.2	38.9	42.4

Source: Government of Kenya, 2000.

Appendix Table 4 Poverty by Education Attainment of Household Head, South Africa

Education Attainment	Population Share (%)	Headcount ratio (%)	Poverty Share (%)
No Education	16.4	44.3	26.3
Primary	26.4	37.0	35.5
Incomplete Secondary	34.5	24.0	30.1
Completed Secondary	15.8	12.5	7.1
Tertiary	7.0	3.9	1.0
Total	100.0		100.0

Source: Bhorat et al (2001).

Appendix Tables 3 and 4 show that there is a high correlation between lack of education and poverty prevalence. Household heads with no education at all have the highest incidence of poverty. After improving between 1982 and 1987, nutritional status of children in Kenya deteriorated over the period 1987-2000 (Appendix Table 5). The incidence of malnutrition in the country was highest in 1994 with percentage of malnourished children at 7.8%. The incidence declined slightly in 1997 but climbed up to 7.4% in 2000. Eastern province had the highest number of malnourished (wasted) children in 2000 at 11.3% with Nairobi province with the least incidence of malnutrition, 3.7%.

Appendix Table 5 Nutritional Status among Under-Fives, 1982–2000, Kenya

Province	Percent of children stunted					Percent of children wasted				
	1982	1987	1994	1997	2000	1982	1987	1994	1997	2000
Nairobi	-	-	30.2	29.3	29.3	-	-	5.5	7.7	3.7
Central	33.6	25.0	28.7	36.4	30.6	4.0	2.5	7.8	5.5	6.1
Coast	48.6	49.5	38.3	38.2	38.0	3.5	3.7	7.8	7.4	8.3
Eastern	39.0	38.5	38.5	38.2	44.6	3.5	3.7	7.8	6.2	11.3
North	-	-	26.4	15.4	36.2	-	-	5.4	7.7	4.8
Eastern	43.1	41.3	36.4	35.0	37.6	5.5	6.2	5.5	8.0	7.2
Nyanza	31.4	26.9	31.8	33.3	37.5	5.4	4.6	8.2	5.7	8.0
Rift Valley	40.5	22.4	37.0	40.5	38.8	3.5	3.5	8.0	4.9	6.4
Western										
National	37.1	32.1	33.6	36.0	37.1	4.5	4.0	7.8	6.2	7.4

Source: Government of Kenya (2000).

The data for South Africa (Appendix Table 6) shows the incidence of stunted children is highest among the poor. Appendix Tables 7 and 8 contrast educational achievements in rural and urban areas in Sub-Saharan Africa. It can be seen that rural areas are disadvantaged in terms of education achievement.

Appendix Table 6 Stunting of Children by Poverty Status of Household Head, South Africa, 1995

Poverty Status	Percent stunted
Ultra poor	38
Poor	32
Non-poor	19

Source: Bhorat et al (2001).

Appendix Table 7 Indicators of Well-being in Rural Sub-Saharan Africa

Country	Rural Average Household Size (Number)	Net Primary Enrollment Rate (%)	Male Primary Enrollment Rate (%)	Female Primary Enrollment Rate(%)	Literacy Rate (%)	Male Literacy Rate (%)	Female Literacy Rate (%)	Female headed Households (%)	Access to Sanitation (%)	Access to Piped Water(%)
Burkina	8.1	27	32	21	12	19	6	7	16	4
CAR	4.5	37	46	28	30	47	14	24	--	1
Cote dIvoire	5.4	30	32	26	29	41	17	11	33	41
Djibouti	5.8	64	77	50	33	47	20	24	3	45
Ethiopia	5.1	13	17	10	19	30	8	19	5	30
Gambia	11.3	19	23	15	33	46	21	3	-	7
Ghana	4.3	61	62	60	40	54	29	26	17	14
Guinea	6.5	18	23	12	7	13	2	16	40	25
Guinea Bissau	6.3	-	-	-	12	22	4	43	-	2
Kenya	5.6	75	76	74	71	80	64	27	75	40
Madagascar	4.9	26	25	28	92	93	92	19	26	7
Mali	9	21	27	14	4	7	1	6	-	25
Mauritania	5	34	36	32	30	34	26	23	16	9
Niger	7.1	15	20	10	-	-	-	7	8	18
Nigeria	4.8	51	56	54	33	39	27	14	--	--
Senegal	11	22	25	20	17	30	7	14	45	30
Sierra Leone	5.9	48	53	47	27	37	19	14	-	--
South-Africa	5.5	--	--	--	--	--	--	32	77	53
Swaziland	7.6				72	73	71	30	71	14
Tanzania	6.3				71	81	62	10	92	2
Uganda	4.7	-	-	-	59	74	47	25	75	2
Zambia	4.8	60	60	61	--	--	--	27	56	6
Mean	6.34	36.53	40.59	33.06	36.37	45.63	28.26	19.14	40.94	18.75
SD	1.99	19.17	19.79	19.81	25.08	24.60	26.44	10.05	30.53	16.54

Source: World Bank (1999), African Development Indicators, 1998/99 (also see Ali, Mwabu and Gesami, 2001)

Appendix Table 8 Indicators of Well-being in Urban Sub-Saharan Africa

Country	Urban Average household size	Net Primary Enrollment (%)	Male Primary Enrollment (%)	Female Primary Enrollment (%)	Literacy Rate (%)	MaleLiteracyRate (%)	Fe male Literacy Rate (%)	Female headed Household (%)	Access To sanitation (%)	Access to Pipe Water(%)
Burkina	6.5	69	74	65	52	62	41	13	88	74
CAR	5.8	65	68	62	61	75	48	38		
Cote dIvoire	5.6	50	55	45	65	76	55	19	91	
Djibouti	6.8	68	73	63	53	71	38	22	19	81
Ethiopia	4.7	67	67	66	63	76	53	45	59	61
Gambia	6.9	49	51	47	50	62	36	16	-	68
Ghana	3.8	68	69	67	63	77	52	26	42	82
Guinea	6.9	56	65	48	27	35	20	15	86	59
G. Bissau	7.2	-	-	-	50	66	35	25	-	26
Kenya	4	84	84	84	92	95	88	28	95	90
Madagascar	5	57	57	57	96	97	95	25	67	71
Mali	8	57	58	55	2	3	1	11	-	58
Mauritania	5	58	59	57	49	58	40	28	58	88
Niger	7.2	50	54	45	-	-	-	15	77	90
Nigeria	4.5	63	66	64	62	70	53	18		
Senegal	9	63	65	61	42	51	34	27	93	84
Sierra Leone	5.6	62	72	63	38	47	28			--
S. Africa	4.1							25	89	99
Swaziland	3.9				87	87	87	23	97	86
Tanzania	5.6				82	89	76	18	96	35
Uganda	3.9	-	-	-	86	91	82	39	95	35
Zambia	5.3	78	79	78	33	37	30	19	93	15
Mean	5.71	62.59	65.65	60.41	57.65	66.25	49.6	47.6	77.81	70.71
SD	1.42	9.24	8.88	10.44	22.99	22.68	24.26	10.00	22.12	23.91

Source: World Bank (1999), African Development Indicators, 1998/99 (also see Ali, Mwabu and Gesami, 2001)

Appendix Table 9 Poverty Measures in Selected Sub-Saharan African Countries, 1993

Country	Headcount ratio (%)			Gini coefficient (%)		Rural Population (% of total)	Annual *Relative* Poverty Lines (PPP 1985), US $	
	Rural	Urban	National	Rural	Urban		Rural	Urban
Burkina	67.97	44.26	64.13	38.70	45.42	83.8	268	560
CAR	77.57	50.64	67.40	64.11	51.28	62.4	251	417
Cote dIvoire	38.42	37.98	38.21	29.72	36.40	51.5	359	462
Gambia	56.30	42.23	39.93	35.21	43.59	54.7	273	520
Ghana	34.56	33.24	34.12	33.98	35.86	66.9	456	602
Guinea	60.96	43.75	55.30	32.61	39.21	67.1	268	398
G. Bissau	68.20	49.49	62.19	56.68	47.78	67.9	273	382
Kenya	58.52	46.00	56.83	51.26	51.14	86.5	349	949
Madagascar	54.67	46.64	52.95	40.24	45.92	78.6	307	539
Niger	59.84	40.00	56.49	31.47	32.05	78.6	273	371
Nigeria	48.12	32.08	41.96	47.80	33.15	61.6	424	467
Senegal	49.67	40.92	46.14	40.27	45.12	59.6	326	860
Sierra Leone	70.70	41.44	56.95	66.67	46.22	53.0	332	541
Tanzania	66.85	50.49	62.12	33.81	36.61	71.1	256	333
Uganda	50.19	44.78	49.52	37.98	44.99	87.6	323	538
Zambia	77.02	44.07	64.23	45.60	40.32	61.2	237	400

Source: Derived from Ali and Thorbecke (2000), Tables A6-A8..

Appendix Table 10 Health Status in Africa, 1980-95

(Standard Deviations in Parentheses)

Health Status Indicators	**Year**		
	1980	1990	1995
Infant Mortality Rate	120.35(35.12)	93.37(32.09)	85.92(30.21)
Crude Birth Rate	45.21(5.91)	42.91(7.47)	39.79(8.04)
Crude Death Rate	17.33(4.80)	14.41(4.53)	13.36(4.31)
Total Fertility Rate	6.29(0.96)	6.04(1.21)	5.59(1.15)
Female Life Expectancy in years	50.36(6.72)	55.06(8.05)	55.18(7.67)
Male Life expectancy in years	47.84(7.06)	51.72(7.60)	52.10(7.36)
Total number of countries	50-52	53-53	51-52

Souce: Mwabu (2001).

Appendix Table 11 Grants and Loans (millions of US $) in Selected African Countries, 1985-1996/7

Country	Year	Japan's Contribution	Total Grants	Total Loans
TANZANIA	1985	22.90	364.20	
	1986	30.40	598.70	
	1987	40.90	623.00	
	1988	82.60	751.60	
	1989	56.70	672.10	
	1990	43.40	804.30	
	1991	61.10	836.70	
	1992	79.30	848.90	
	1993	99.60	928.90	
	1994	106.70	632.50	
	1995	125.90	616.20	
	1996	109.50	615.20	
ETHIOPIA	1985	8.00	619.00	92.00
	1986	7.00	563.00	67.00
	1987	16.00	493.00	134.00
	1988	14.00	775.00	188.00
	1989	13.00	617.00	132.00
	1990	11.00	858.00	161.00
	1991	18.00	988.00	110.00
	1992	11.00	1076.00	106.00
	1993	48.00	733.00	361.00
	1994	44.00	764.00	311.00
	1995	63.00	642.00	246.00
	1996	50.00	623.00	227.00
	1997	37.00	565.00	72.00
ZAMBIA	1985	16.20	180.60	
	1986	23.20	274.30	
	1987	31.90	286.60	
	1988	71.40	334.70	
	1989	62.90	289.40	
	1990	40.10	757.60	
	1991	61.50	521.50	
	1992	73.70	729.60	
	1993	68.90	602.20	
	1994	87.30	441.70	
	1995	62.00	476.30	
	1996	48.30	437.00	
KENYA	1985		311.5	215
	1986		349.2	287.9
	1987		400.1	352.5
	1988		567.1	387.3
	1989		553.6	538.3
	1990		1185.3	429.7
	1991		640.9	461.2
	1992		659.6	327.5
	1993		552.1	317.6
	1994		503.8	227.5
	1995		463.4	557.5
	1996		400.5	342.8

Source: Aid & Reform in Africa, The World Bank Publication.

Appendix Table 12 ODA Disbursements in Africa (millions of US $)

Country	Year	Japan's Contribution (Grant Aid)	Japan's Contribution (Technical Cooperation)	DAC Countries (ODA Net)	International Organizations (ODA Net)
EQUITORIAL GUINNEA	1994	0.98	0.34		
	1995	0.02	0.75	21.70	12.20
	1996		0.23	23.30	7.80
	1997		0.02	17.80	6.50
	1998		0.13		
ERITERIA	1994		0.06		
	1995		0.66	94.60	50.20
	1996	0.92	1.09	124.80	29.50
	1997	10.75	1.65	80.90	29.50
	1998	14.16	1.39		
ETHIOPIA	1994	38.86	5.03		
	1995	50.49	12.00	525.50	362.40
	1996	40.09	10.07	445.40	404.00
	1997	27.65	9.67	372.50	263.90
	1998	16.87	9.20		
GABON	1994		0.23		
	1995		0.26	135.60	9.90
	1996	0.01	0.23	113.40	15.00
	1997	0.54	0.29	30.20	12.10
	1998	0.14	0.37		
GAMBIA	1994	10.36	1.14		
	1995	2.00	0.29	25.10	24.00
	1996	0.09	0.01	17.20	23.80
	1997	0.16	0.06	17.40	25.50
	1998	0.17	0.41		
GHANA	1994	39.95	13.41		B
	1995	21.45	15.56		
	1996	19.36	17.62	358.60	300.50
	1997	22.86	15.40	348.90	297.80
	1998	39.25	15.42	291.90	192.90
GUINEA	1994	21.57	1.70		
	1995	37.87	2.30		
	1996	14.86	3.43	220.40	190.20
	1997	4.97	1.48	134.70	140.30
	1998	42.35	1.81	125.50	222.20
GUINEA BISSAU	1994	2.93	0.72		
	1995	10.75	0.67		
	1996	10.30	0.58	76.90	39.60
	1997	6.77	0.68	124.80	53.60
	1998	10.96	0.64	58.50	66.80
KENYA	1994	40.15	37.94		

	1995	47.72	46.05		
	1996	40.94	35.18	458.70	271.30
	1997	29.36	35.88	345.70	263.00
	1998	8.91	31.94	301.00	157.10
			1985		
LESOTHO	1994	0.98	0.40		
	1995	1.12	0.68		
	1996	7.66	0.25	61.60	53.40
	1997	5.53	0.21	49.30	54.40
	1998	3.29	0.34	44.60	41.80
LIBERIA	1994		0.03		
	1995				
	1996			31.10	92.00
	1997			112.40	94.20
	1998	0.45		31.00	64.40
MADAGASCAR	1994	27.49	6.32		
	1995	23.61	6.40		
	1996	41.74	5.77	194.90	108.30
	1997	24.95	4.14	229.80	134.70
	1998	43.29	6.34	549.00	288.70
ANGOLA	1994	0.05			
	1995				
	1996	3.77	241.70	176.70	
	1997	10.72	294.40	249.70	
	1998	14.11	227.00	208.60	
BENIN	1994	10.00	1.37		
	1995	10.89	1.39		
	1996	26.23	1.22	177.40	97.60
	1997	17.68	1.13	164.90	122.10
	1998	17.22	1.36	148.00	77.50
EQUITORIA GUINEA	1994	1.71	1.33		
	1995	1.36	2.35		
	1996	0.85	3.41	54.50	36.60
	1997	0.85	3.09	67.90	14.70
	1998	2.41	2.36	55.80	72.40
BURKINA FASO	1994	10.36	1.46		
	1995	5.60	1.06		
	1996	13.94	0.90	252.30	229.80
	1997	7.17	1.07	269.20	146.90
	1998	7.25	1.60	217.90	149.20
BURUNDI	1994	7.26	0.16		
	1995	4.11	0.03		
	1996	0.99	0.02	108.40	183.40
	1997			67.80	137.20
	1998			38.20	81.40
CAMEROON	1986				
	1994	7.78	1.40		

	1995	1.98	1.18		
	1996	4.47	1.05	345.50	97.50
	1997	3.52	1.39	279.60	135.70
	1998	7.34	1.65	330.20	173.00
CAPE VERDE	1994	2.56	0.39		
	1995	2.02	0.23		
	1996	3.34	0.30	76.90	39.90
	1997	1.98	0.36	77.50	39.60
	1998	1.75	1.04	68.00	42.00
CENTRAL AFRICA REPUBLIC	1994	8.90	1.52		
	1995	48.26	1.54		
	1996	27.11	3.49	122.40	44.80
	1997	18.41	1.56	121.00	44.40
	1998	12.62	1.39	61.30	30.50
CHAD	1994		0.17		
	1995		0.17		
	1996		0.29	127.00	111.80
	1997		0.37	121.80	180.40
	1998		0.30	96.40	123.70
COMOROS	1994	1.22	0.42		
	1995	3.82	0.45		
	1996		0.31	21.70	21.80
	1997	0.27	0.15	22.00	18.00
	1998	4.09	0.07	15.30	12.80
CONGO	1994		0.38		
	1995		0.30		
	1996		0.18	105.00	20.40
	1997		0.12	394.60	35.10
	1998		0.17	260.00	8.00
DEMOCRATIC REP. OF CONGO	1994	3.97	0.48		
	1995	4.63	0.75		
	1996	3.70	0.84	117.70	78.00
	1997	5.51	0.25	106.30	58.60
	1998		0.04	104.50	54.90
COTE D' IVOIRE	1994	10.41	10.00		
	1995	37.96	9.11		
	1996	49.41	6.96	726.60	485.80
	1997	25.07	6.76	449.20	518.40
	1998	33.42	6.57	232.70	211.30
DJIBOUTI	1994	16.47	1.48		
	1995	27.01	1.14		
	1996	16.75	1.14	79.60	23.50
	1997	10.62	0.81	70.80	21.80
	1998	15.85	1.10		19.90
TANZANIA	1994				

	1995				
	1996				
	1997				
	1998	81.00	22.00		
ZIMBABWE	1994				
	1995				
	1996				
	1997				
	1998	16	11		
SENEGAL	1994				
	1995				
	1996				
	1997				
	1998	26	9		

Source: JODA Reports [JODA Websites]

Appendix 3: What Japanese Think about their Foreign Aid

A survey was conducted during September 30 – October 10, 1999 on what Japanese think about their development assistance to developing countries. The survey was restricted to adults aged 20 years and above, all living in Japan. Around 3,000 persons, probably randomly selected, were asked to give opinions on some fundamental aspects of Japanese foreign assistance. Around 70% responded, i.e., 2,100 persons. The questions they were asked, and the responses they gave are shown in Appendix Table 13.

It is clear from the table that the majority of respondents (71.6%) favor increasing Japanese aid or maintaining it at its current level. However, a significant number (21.7%, nearly a fifth of the population) would like to decrease aid or stop it altogether. Revealing also, are the reasons for continuing or increasing aid. Humanitarian concern is not the only reason forgiving aid Other reasons such as world peace, environmental development and advancement of Japanese foreign policies are important motivations for donations. Self-interest in aid giving is also detectable from the responses in Appendix Table 13. A sizeable number of Japanese feel that their economic development is dependent on peace in developing countries

The main reason for wishing to decrease or stop aid is economic hardship. Poor performance of the economy or budget constraints were cited as reasons for wishing to decrease or stop aid. There were also other notable reasons. For example, some Japanese feel that aid is not given in a transparent manner and is not in accord with needs of the receiving countries.

Finally, the majority of Japanese (61%) would like to see their foreign assistance go to Asia. Africa comes third (after 'all regions'), but with only 5.2% of respondents wishing to see aid allocated to this region. In assessing this, and other information shown in Appendix Table 13, it should be noted that it is based on a tiny, non-representative sample of the population.

Appendix Table 13 Opinions of Japanese on their Development Assistance to Poor Nations, September/October, 1999.

Questions & Responses		
Question: What do you think about economic cooperatioon? **Responses (only one answer per person allowed)**:	Respondents as % of the total sample	Approx. Number of Respondents
1. We should increase the amount	29.2%	613
2. We should maintain the amount	42.4%	890
3. We should decrease the amount	19.3%	405
4. We should abolish	2.4%	50
Question: Why do you think, "we should increase or maintain the amount?" **Response (more than one answer per person allowed)**:	Respondents (% of total sample)	Approx. Number of Responses
1. From the humanitarian point of view, economic cooperation is our duty	46.5%	976
2. Economic cooperation contributes to the stability of the developing countries and to world peace	46.5%	976
3. We should utilize our skill and experience for solving environmental problems in developing countries	35.7%	750
4. Economic cooperation plays an important role in Japanese foreign policies	30.3%	630
5. There will not be our economic development without achieving political stability and economic development in developing countries	25.4%	533
6. Economic cooperation is helpful for preserving natural resources	21.4%	449
7. Japan will be isolated if economic cooperation is not undertaken	21.1%	443
8. Economic cooperation is the duty of a country with trade surplus	19.5%	409
Question: Why do you think "we should decrease the amount or abolish"? **Response (multiple answers allowed)**:	Respondents (% of total sample)	Approx. Number of Responses
1. Japanese economy is not performing well	72.2%	1516
2. Because of Japanese budget constraint	49%	1029
3. Economic cooperation is not transparent	26.9%	565
4. Economic cooperation is not effective and is not in accord with the needs of receiving countries	24.5%	515
5. Economic cooperation is not efficient in terms of the coordination of development assistance with other related institutions and maintenance of machine supply	15.5%	326
6. Other industrial countries have decreased the amount	5.9%	124
Question: What area (world region) do you think is important for economic cooperation? **Response (only one answer allowed)**:	Respondents (% of total sample)	Approx. Number of Respondents
1. Asia	61.1%	1203
2. Africa	5.2%	109
3. Middle East	2.7%	57
4. East Europe	2.0%	42
5. Central and South America	1.3%	27
6. Oceania	0.7%	15
7. All regions	18.0%	378
8. Do not know	8.9%	187

Source: Constructed from "Opinion Survey for the Japanese Foreign Policies in 1999; published in April, 2000" (documented obtained from Japanese Embassy in Nairobi).

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