



## **Live8, the G8 and Africa: How bold will Japan be?**

On Saturday, Tokyo kicked off Live8 – the biggest rock concert in history. With a total audience of three billion people, the world has come together with a common voice. And the message could not be louder or clearer. They want more done to help the world’s poorest people.

The main driver is a moral outrage. Three billion people – the same amount that watched or listened to Live8 – live in poverty, that is on less than 220 yen per day. As Nelson Mandela puts it: “as long as poverty, injustice and gross inequality persist in our world, none of us can truly rest.”

How will the politicians respond? This week the world’s most powerful leaders are gathering in Gleneagles for the annual G8 Summit. But the main focus is on the least powerful, Africa’s poor, and how to improve their development prospects. By Friday the world will know how bold the G8 are. What are the key issues and what do they mean for Japan?

The main issues for discussion at the G8 are clear – aid, trade and debt.

On debt, the deal has been done. And it is a good one. The G8 will wipe out the US\$ 40 billion debt of the 18 poorest countries. And the scheme may be extended to others. Japan should be commended for its support.

On trade, little progress is expected. There will be much talk about the need to reduce agricultural protection and subsidies. Like other G8 countries, Japan could do much more. But, basically, trade issues will be pushed to the World Trade Organization ministerial meeting in December.

On aid, expect a flurry of initiatives from the Summit. The big push is for twice as much aid to Africa. The most innovative scheme is the International Finance Facility (IFF). Donors would frontload aid to Africa by issuing guaranteed bonds on the financial markets. An agreement is expected ahead of the G8, but it would likely not involve Japan or the US.

Prime Minister Koizumi has already announced that Japan would double its aid to Africa (to US\$1.6 billion annually) over the next three years. Japan is considering and trying new approaches to make aid more effective. It is also set to join a “mini” IFF initiative focusing on developing vaccines for diseases affecting poor countries. So far so good.

But all this is unlikely to satisfy the UK government or civil society groups. Consider the following: Japan’s aid to Africa has been more than halved since the mid 1990s. The announcement to double aid will only bring aid levels back to where they were at 10 years ago. Japan’s loan agency now receives more in repayments from Africa than it gives in disbursements.

The external view is that Japan does not pull its weight in terms of development finance in general and Africa in particular. Japan provides less aid as a proportion of national income than almost all other donors. So there will be pressure on Prime Minister Koizumi to do more. But, Japan’s weak fiscal situation limits the scope for future aid increases.

Given this, it makes sense to focus more on aid quality. The biggest problem is that Japan’s grant aid is tied to Japanese contractors. For aid to Africa this is especially unhelpful. Untying Japan’s grants would add an estimated 25% more value to its aid to Africa without requiring a single yen more from Japan’s taxpayers. What a deal!

But a crucial issue for aid – the most important to many – is not even on the G8 agenda. That is the troubled state of governance in Africa. The people of many of Africa’s countries have been terribly let down by their so-called leaders. Solutions will largely have to come from within the continent.

But governance in Africa should matter to the G8 too. Why? Because aid effectiveness depends on recipient government commitment. Because donors can help improve governance. And because providing aid is inherently political. In too many cases aid lends support and legitimacy to inept, corrupt or authoritarian regimes. Japan, like other donors, needs to better orient the provision (or not), amount and type of aid to the specific context of poorer countries.

The UK is putting a set of issues on the G8 table to which Japan is being asked to respond at the highest political level. Prime Minister Koizumi is bringing a good package. After years of drift, Japan is seemingly re-engaging with African development in a significant way. But he could certainly be bolder – particularly about untying Japan’s aid and reforming trade.

Fast forward to 2008. In that year, Japan will be Chair of the G8 and host the Fourth Tokyo International Conference on African Development – a 5-yearly gathering of African leaders and their development partners. Africa will be in the spotlight again. The Live8 generation will certainly assess how Japan and the rest of the G8 responded this week.

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