

## **GRIPS Development Forum-JICA Seminar**

### **Japan's Approach to African Development during TICAD IV: The Case of Ethiopia**

#### **Seminar Report**

**Date and Time:** October 17 (Mon), 2011 at 15:00–17:30

**Venue:** National Graduate Institute for Policy Studies (GRIPS), Conference Room 1A & 1B

The GRIPS Development Forum-JICA Joint Seminar was held on October 17, 2011, with over 70 participants from diverse background—African Ambassadors and diplomats, researchers, private sector, policy makers and practitioners—who are interested in the African development.

Prof. Izumi Ohno gave a brief introduction about the theme of the seminar and the speakers of the session. The seminar focuses on JICA's technical cooperation to Ethiopia and its implications for Japan-Africa cooperation in general. The first phase of JICA assistance to Ethiopia has two main components: (i) policy dialogue on industrial development; and (ii) quality and productivity improvement (Kaizen). The objective of the former is to help Ethiopia's policy formulation and coordination including the drafting of master plans and action plans in collaboration with Ethiopian higher officials (including the Prime Minister) and operational-level experts. The latter is aimed at introducing Kaizen activities to the Ethiopian manufacturing sector to improve their productivity. This JICA assistance is in response to the Ethiopian Prime minister's formal request to the Japanese government to introduce Kaizen to Ethiopia and provide advise to Ethiopia's industrial development strategy from East Asian perspectives. And for Japan, this is part of the commitment it made at TICAD IV.

#### **Opening Remarks**

##### **H. E. Mr. Markos Tekle Rike, Ambassador Extraordinary and Plenipotentiary of the Federal Democratic Republic of Ethiopia**

The fall of the socialist regime in 1991 marked the prevalence of peace and stability in Ethiopia. As a result, Ethiopia has embarked on development activities since then. For the last seven years, Ethiopia registered an average GDP growth rate of 10 percent. Ethiopia has been implementing 5-year plans. The current 5-year plan, known as the Growth and Transformation Plan (GTP) succeeded the previous one, called PASDEP. By many standards, the current GTP is a grand plan that we hope will make fundamental changes in our economy.

Ethio-Japan diplomatic relations started in the 1930s. Since then relations have been strengthened.

Emperor Haileselassie was particularly interested in Japan's miraculous development. A book titled "Japan endet seletenech"—meaning "how did Japan develop?"—was written by a renowned Ethiopian writer. This shows that there has been an obsession on the Ethiopian side to know how Japan developed from ashes to riches.

Over the past years, the government of Japan has increased its assistance to Ethiopia. At TICAD IV, Japan has reinforced its commitment to help developing countries get out of poverty. The policy dialogue on industrial development with the Ethiopian government and the Kaizen Project in the Ethiopian manufacturing sector are part of Japan's commitment at TICAD IV.

The policy dialogue on industrial development has helped the Ethiopian government to streamline and articulate its policies and plans through the series of discussions held with GRIPS professors, namely Izumi Ohno and Kenichi Ohno. The JICA-supported Kaizen Project has helped pilot firms apply the required tools that enable them to reduce costs, raise productivity and improve their quality. H.E. Mr. Markos closed his remarks by thanking Professors Kenichi Ohno and Izumi Ohno and JICA for their support to Ethiopia's development.

**Mr. Masaki Noke, Deputy Director General, International Cooperation Bureau, Middle Eastern and African Affairs Bureau, Ambassador for Civil Society, Ministry of Foreign Affairs, Japan.**

Industrial development cooperation in Ethiopia is significant in three contexts: African, Ethiopian and Japanese. In the context of Africa, the Yokohama Action Plan of the TICAD IV urges to "support African countries to plan and implement industrial development strategies and policies, drawing on Asian experiences as appropriate." Today's seminar theme—the case of Ethiopia—is a concrete example. In the context of Ethiopia, industrial development support for Ethiopia is promoted through two synergistic components: (i) policy dialogue on industrial development; and (ii) a specific project on Kaizen. For long, the priority of Japanese cooperation to Ethiopia has been food security. But, Japan has decided to elevate industrial development to the second priority of cooperation to align our assistance to Ethiopia's current development policy. In the context of Japan, techniques such as 5S principles (*Seiri, Seiton, Seiketsu, Seisou and Shitsuske*) are more of disciplines rooted in the Japanese way of life than abstract concepts. Kids are taught to clean their class rooms; when these kids join the workforce, they clean their workplaces. Hence, if we apply such a specific Japanese virtue to development cooperation, we can make a difference from other donors. At the same time, we have to be mindful of social and cultural circumstances in the recipient country.

Mr. Noke shared his experience of a recent mission to Ethiopia, particularly his visit to Ambassador Garment, the biggest Ethiopian suits maker and one of the companies that adopted Kaizen activities. He was pleasantly surprised to observe that the factory was clean, workplaces were logically organized and compartmentalized by colored tapes according to the fabrication process and that workers were

absorbed in their works. The situation before Kaizen was totally different. For example, stocktaking needed 15 days but it took only 3 days this year (after Kaizen). He also learned that this movement is promoted by the Ethiopians themselves as the Kaizen Unit was created after the initial JICA technical cooperation, and 8 local Kaizen leaders are devoted themselves in Kaizen promotion. In a word, this Japanese approach is internalized in Ethiopia. In Ethiopia, the fact that Prime Minister Meles personally took the lead to introduce this movement, ensuring local resources for it has made the Kaizen project successful.

Mr. Noke hoped today's seminar would find useful suggestions and guidance for our future cooperation with Ethiopia in particular and with Africa in general. This seminar will yield useful inputs to the TICAD V, which the Japanese government has decided to host in 2013. Growth promotion will remain as an essential component of the TICAD V, and we hope to make good use of Japan's unique advantages in the cooperation with Africa that can make a difference for development and make Japan and Africa even closer.

## **Presentations**

### **1) “JICA’s Assistance for Industrial Development in Ethiopia” by Kyoko Kuwajima, Director General, Industrial Development and Public Policy Department, JICA**

Ms. Kuwajima explained that JICA has been following up the Japanese government's commitment to Africa made at TICAD IV and Hokkaido Toyako G8 Summit held in 2008. As a side event of TICAD IV, JICA sponsored a symposium on “Economic Development in Africa and the Asian Growth Experience” in which Ethiopian Prime Minister Meles took part. In July in the same year, the IPD Task Force on Africa meeting was held in Addis Ababa, co-organized by JICA and Prof. Josef Stiglitz of Columbia University. The IPD meeting aimed to open a debate on economic growth and poverty reduction in Africa by applying Asia's development lessons. Prime Minister Meles participated in most of the sessions in the two-day meeting. At this meeting, the GRIPS professors introduced the experience of JICA's KAIZEN Project in Tunisia, which led to the conception of the industrial policy dialogue and the Kaizen project in Ethiopia. Following these events, Prime Minister Meles requested the two components of support from JICA: (i) intellectual support to help formulate industrial development policies for Ethiopia by applying the Asian development experience (industrial policy dialogue); and (ii) technical cooperation for nurturing the private sector in Ethiopia by introducing KAIZEN concept.

Regarding the initial results of this bilateral industrial policy dialogue, Ms. Kuwajima emphasized three points. First, the policy dialogue made substantial contributions to the drafting of GTP and MSE strategy in Ethiopia (by filling knowledge gaps, adopting import substitution policy and basic metal and engineering industry in GTP, and introducing the KAIZEN concept in the MSE strategy). Second,

it helped the Ethiopian government and collaborators to identify weaknesses in policy-making capacity (e.g., the importance of mindset and methodology for effective policy making, need for inter-governmental coordination mechanisms, need for the consultation process between the government and the private sector). Third, JICA took program approach by combining policy-level support and a specific technical cooperation (KAIZEN). This has proven to be effective, producing synergy effects. The next phases of the industrial policy dialogue and the Kaizen project are scheduled to start in early next year and November 2011 respectively.

## **2) “Achievements in the Quality and Productivity Improvement (Kaizen) Project” by Go Shimada, Director, Research Program Division, JICA Research Institute**

At the outset, Mr. Go Shimada stressed that his presentation was made jointly with Ethiopian counterpart, and he would speak on behalf of the team of Ethiopian Kaizen Institute and JICA. After a brief introduction of the meaning of KAIZEN (continuous improvement), he explained the profile of the JICA-supported KAIZEN project, “The Study of Quality and Productivity Improvement (KAIZEN) in Ethiopia,” which was implemented during October 2009-June 2011, working with the Ministry of Industry (MOI) as the counterpart. The project aimed at: (i) formulation of a KAIZEN manual for Ethiopia, based on the verification and implementation of pilot activities for selected manufacturing companies (in Addis Ababa and its surroundings); (ii) human resource development of the staff of the KAIZEN Unit of the MOI; and (iii) formulation of a national plan to disseminate KAIZEN activities for manufacturing companies in Ethiopia.

Mr. Shimada highlighted both qualitative and quantitative gains of the KAIZEN project. The qualitative gains include: clean work place, team work, health and occupational safety, improvement suggestions by lower-level workers, and knowledge of quick delivery and cost reduction. The quantitative gains include: monetary impact (average: ETB 500,000 (equivalent of around 29,000 USD) per company), as well as non-monetary improvement (e.g., reduction of time loss and defect ratio, lead time improvement, labor saving). Among the 28 pilot companies, 10 companies achieved high and good performance (regarded as candidates of the excellent companies). The project also involves skills transfer to the Ethiopian counterparts (the members of the KAIZEN Unit) so that they can serve as qualified KAIZEN consultants and the promoters of KAIZEN—even after the JICA project comes to an end. Lastly, Mr. Shimada stated that based on such tangible results of the phase I, JICA plans to start the phase II project in November 2011, which supports the establishment of the Ethiopian KAIZEN Institute to institutionalize and disseminate KAIZEN.

## **3) “Industrial Policy Dialogue in Ethiopia” by Kenichi Ohno, Professor, GRIPS**

Prof. Kenichi Ohno explained that the purpose of our policy dialogue with Ethiopia is to transfer mindset and methodology of East Asian policy making through concrete issues and projects. We support developing countries by offering policy methodology from Asian perspective and raw materials

for policy formulation. This includes systematic collection and comparative analysis of the past and present industrial policies of selected Asian countries; and tailoring them to fit each country's unique conditions. East Asia generally practices industrial policy. Many African countries are interested in industrial policy that draws on the experiences of East Asia. Japan, Asian Tigers, ASEAN and China industrialized through self-study, learning from neighbors, and trial-and-error. Even today, no systematic instruction exists for effective policy making and execution in developing countries. This is what is missing, and our effort is to fill such a gap. Learning from the East Asian experience is not about copying specific policies to late-comers; but it involves learning mindset and methodology of designing and implementing industrial strategies. While there is a standard industrial policy menu, selectivity and adjustment are needed to the unique conditions of each country. That is why we prefer to have long-term and open-ended engagement with developing countries' governments so that tailored policy support based on concrete studies and projects can be provided.

The Eastern approach of development is complementary to the Western approach. More specifically, the Japanese approach to development emphasizes target orientation, field (*gemba*) orientation, joint work and dynamic capacity development. Given these features, Japan can offer: (i) for a country with reasonable visions and plans, standard policy tools (training, QC, Kaizen, SME promotion, etc) can be provided; (ii) policy dialogue for making and strengthening visions and strategies; (iii) comprehensive regional development with core infrastructure, supported by HRD, regional planning, industrial support, rural development, etc.; and (iv) creating enabling environment for Japanese investment under the principle of open access and non-exclusivity.

The participants of the industrial policy dialogue include higher Ethiopian government officials (including the PM) and operational level experts. The Japanese side includes GRIPS Development Forum, JICA officials and experts and the Embassy of Japan in Addis Ababa. The Japanese side visited Ethiopia every three months to meet their Ethiopian counter parts for policy dialogue. The main topics of the policy dialogue include democratic developmentalism (DD) and Agricultural Development Led Industrialization (ADLI), policy formulation and implementation mechanisms, structure of master plans and action plans, advice on the GTP, concept, practice and institutionalization of Kaizen, etc.

#### **4) “Experience of Kaizen in Ethiopia and the Way Forward” by Daniel Kitaw, Associate Professor and Chair of Industrial Engineering, Addis Ababa University**

After brief introduction of the concept of quality and productivity, Dr. Daniel explained that quality and productivity is the key in the process of industrialization. He also explained the background for Kaizen activities in Ethiopia supported by JICA and noted that the initial success of the implementation of Kaizen in Ethiopia is encouraging. At the same time, Dr. Daniel pointed out several challenges during the implementation stage of Kaizen. These include: (i) gap between top management and employees (power is very much concentrated in the hands of top managers); (ii) limited worker's motivation to improvement and change in the organization, and (iii) long time necessary for creating awareness

among managers and employees.

To accelerate the quality and productivity movement in Africa, Dr. Daniel suggested the establishment of the Pan African Kaizen Initiatives Institute (PAKII), working in collaboration with AU and other African institutions. PAKII would: (i) serve as a focal point for promoting quality and productivity improvement in Africa; (ii) disseminate Kaizen activities and concepts to all African countries; (iii) promote networking, sharing, harvesting ideas and learning with peers to each other in all African countries; and (iv) discuss common issues and solutions in the African context.

#### **5) “Sharing East Asian Experience with Africa: Japan’s Policy Dialogue and Korea’s Knowledge Sharing Program” by Izumi Ohno, Professor, GRIPS**

Prof. Izumi Ohno shared her perspectives of the next phase of Japan-Ethiopia industrial policy dialogue (which is expected to start from early next year), in light of a possibility for enhanced collaboration with new Asian partners such as South Korea. A new element to be considered for the phase II industrial policy dialogue is that South Korea’s participation in intellectual support to Ethiopia. The Korean government has recently announced its willingness to share its development experience to Ethiopia, following President Lee Myung-bak’s visit to Ethiopia in July 2011. This move will complement the Japanese ongoing efforts to project the East Asian experiences in Ethiopia’s development policies. Both Japan and Korea represent non-Western donors having dual experiences of aid and development (recipients and donors). They have catch-up experiences, which can be shared to the developing world. Both countries direct their aid activities in productive sectors; respect for uniqueness of each country and both emphasize long-term engagement.

The strengths of Korea include: strong leadership commitment to development and ability to offer the latest successful experiences of catch-up as it has documented its experiences in modular forms under the banner of knowledge sharing program (KSP). On the other hand, Japan is a large donor and with vast experience of being a donor and network-based cooperation. Japan should be in a position to mobilize the cooperation from its neighboring emerging donors, with which Japan has fostered long-term partnership based on its aid and economic cooperation. The strengths of the two countries complement each other; and as non-western donors they can project the East Asian experience to the developing world as an alternative model of development.

#### **Questions and Answers Session**

**Q:** How do you build trust in communities? More specifically, how do you foster trust and relations between the Japanese and Ethiopian people?

**A: Kyoko Kuwajima (JICA)**

- Linking people to people is well integrated into JICA’s technical cooperation programs in

developing countries.

**Q:** While Kaizen activities (such as 5S, QCC) are good, I believe that they will become effective when they are transferred by private companies (i.e., the private-private model of Kaizen transfer). This will also create business linkages that benefit both parties. So, the JICA Kaizen project should give more attention to the private sector.

**A: Go Shimada (JICA)**

- We also work with the private sector (such as the Chamber of Commerce) in some other countries. In the case of Ethiopia, we are primarily working with the government because we found our counterparts in Ethiopia were very much capable enough for Kaizen, and ownership and leadership of the government are very strong. As I explained, the result of the success comes from joint work by our counterparts in Ethiopia and JICA.

**A: Kenichi Ohno (GRIPS)**

- It is possible to let the private sector handle Kaizen activities in the countries where Japanese businesses exist (e.g., Vietnam, Thailand). But **in countries (such as Ethiopia)** where no Japanese companies operate, the private-private model of transferring Kaizen may not be feasible.

**Q:** Achievements in Ethiopia so far appear impressive. Nevertheless, we should study what are the real problems holding back African countries. I would also like to know the procedure on how we can request the Japanese government for such support.

**A: Daniel Kitaw (AAU)**

- My answer to your first question is that mindset change is the problem in Africa.

**A: Kenichi Ohno (GRIPS)**

- I think if mindset change is achieved, then what is left is applying technical tools to bring the desired change.

**A: Izumi Ohno (GRIPS)**

- But, mindset change doesn't come by itself; it is a function of appropriate and concrete policies and actions. The Singaporean experience suggests that national movements are effective to drive the popular mindset change.

**Comments (from JICA Kaizen Project Team):** On behalf of JICA Kaizen Project Team for Ethiopia, I would like to stress the vital importance of mutual trust between management and employees in the transfer of Kaizen. Management needs to empower employees, delegate power and train them.

**Q:** While mindset change is important, it comes when the people start to see the fruits of economic growth. Japan itself got tremendous financial help from the US, although the Japanese themselves did the job. The same is true for Korea, Malaysia and Thailand. The point is that as the fruits of development start to be felt by the public, mindset change will come automatically. Another question is that why does a Malaysian expert provide advice in Africa under the JICA project? (--with reference to the Triangle of Hope Project in Zambia, where an ex-senior official of the Malaysian government has

been mobilized)

**A: Go Shimada (JICA)**

- Malaysia experienced a crisis in 1960's. At that time, per capita GDP of Malaysia was less than that of Zambia. After the crisis, Malaysian has started to transform their economy uniting politician, government authorities and private sector. They established MIDA (Malaysian Investment Development Authority) to attract foreign direct investment to Malaysia, then they succeeded to achieve high economic growth. With this experience of transforming their economy, JICA started to mobilize its expertise to attract more investment to Africa, because its experience must be replicable in other countries. This is how we started the Project in Zambia. We called it as the TOH (Triangle of Hope) project because the uniting triangle of politician, government authorities and private sector is the hope for the future.

**Q:** Did the Kaizen project raise workers' wages? What are the fruits of Kaizen for workers? Is the project sustainable after JICA leaves Ethiopia?

**A: Kenichi Ohno (GRIPS)**

- Real wages may not rise immediately. It may take time to show up. This will happen after the company's value added increases. My Ph.D student, Mr. Berihu, is doing some regression analysis on the benefits achieved by firms and workers.

**A: Kyoko Kuwajima (JICA)**

- Singapore offers a good model for Kaizen projects around the world, in terms of success, sustainability and shared benefits.

**Q:** Ethiopia's results are impressive. Prof. Daniel's recommendation to establish the Pan African Kaizen Initiatives Institute (a continental-level initiative of Kaizen) is a good idea, and I agree. It is also necessary to nurture entrepreneurship by incorporating quality and productivity in our educational system.

**A: Daniel Kitaw (AAU)**

- My suggestion is to incorporate quality and productivity in the education system starting from kindergartens.

**Q:** Japanese FDI is yet limited in Africa. How does the Japanese government plan to convince Japanese companies to invest in Africa?

**A: Go Shimada (JICA)**

- It is not easy to convince Japanese companies to go and invest in Africa in the immediate future. This will happen only gradually. Investment promotion is another area JICA would like to have more programs and projects in the future. We have already started several projects, but more will come in the future.

**A: Mr. Masaki Noke (MOFA)**

- Japanese companies will go and invest when there is interest. I am sure that there must be reasons why they are not yet investing in Africa with sufficient volume. It is important to investigate and



find the reasons behind—whether the problems are information gaps or others, etc. The Japanese government is prepared to help Japanese firms to have more contacts with African governments and businesses to increase Japanese investments in Africa.

**H. E. Mr. Markos Tekle Rike, Ambassador Extraordinary and Plenipotentiary of the Federal Democratic Republic of Ethiopia**, concluded the seminar by thanking the GRIPS professors and the JICA team. The Ambassador also stated his great hope and high expectation to the next phase of Japan's industrial development cooperation to Ethiopia.

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