



Private Sector Development in Africa

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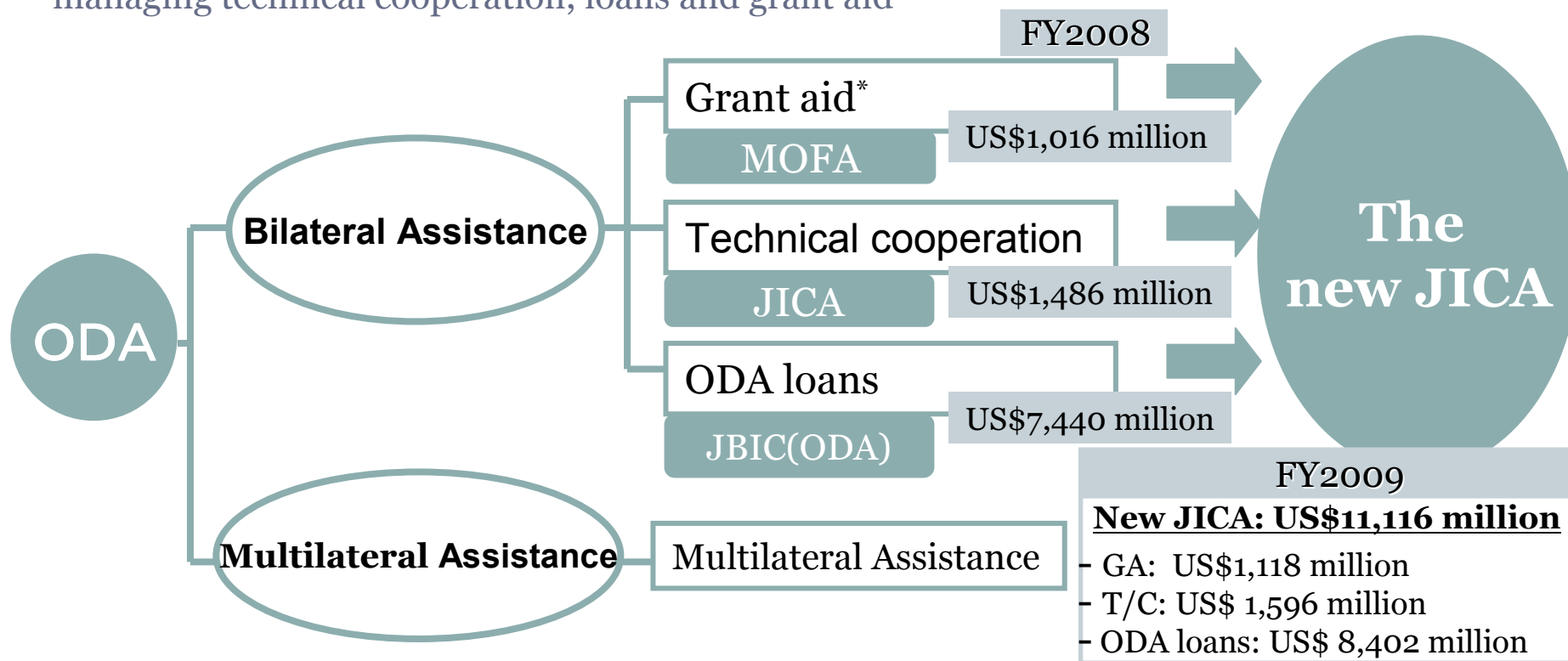
Agenda

1. Private Sector Development and JICA, in context of AfD (Aid for Development)
2. Key Messages of the JICA Report on the Economic Development in Africa and the Asian Growth Experience
3. Case study 1: Industrial Policy support to Ethiopia
4. Case study 2: Zambia ToH (Triangle of Hope) Project

Birth of New JICA on October 1, 2008

Consolidation of ODA implementation tools for the new JICA

1. The new JICA integrates JBIC's operations covering Japanese ODA loans and overseas investment, and part of MOFA's grants
2. The new JICA provides more strategic and effective ODA as a single agency centrally managing technical cooperation, loans and grant aid



* Except for certain items retained by MOFA required for policy commitments

FY2008: JPY 103.5/USD (DAC rate)
 FY2009: JPY 97.60/USD (IFS rate for April 31, 2009)

New JICA's Message

- Integrated operations of 3 aid modalities
- One of the world's largest aid agencies

Birth of New JICA

- One stop shop for Japan's ODA
- Establishing the JICA Institute

Vision

Inclusive and Dynamic Development

Mission

① Addressing Global Agenda

Addressing the global agenda, including climate change, water, food, energy, infectious diseases and financing

② Reducing Poverty through Equitable Growth

Pursuing sustained poverty reduction through inclusive and equitable growth

③ Improving Governance

Strengthening policies, institutions, organizations, human resources as underpinnings of development

④ Achieving Human Security

Protecting people from threats and building societies where they can live with dignity

Strategy

➤ **Integrated Assistance**

- Combining policy support, institution building, human capacity development, infrastructure development, etc.
- Cross-border and cross-sector assistance

➤ **Seamless Assistance**

- Speedy and continuous aid delivery from emergency relief to rehabilitation/reconstruction and to peace-building
- Meeting flexibly development needs according to a specific development stage from least developed countries to middle income countries

➤ **Promoting Development Partnerships**

- Promoting public-private partnership
- Applying technologies and knowhow
- Strengthening partnerships in the international aid community

➤ **Enhancing Research and Knowledge Sharing**

- Enhancing research function on development by drawing on its abundant field experience
- Sharing research findings and leading discussions on international development assistance

- **Achieving synergy of merger (Speed-up, Scale-up, Spread-out)**

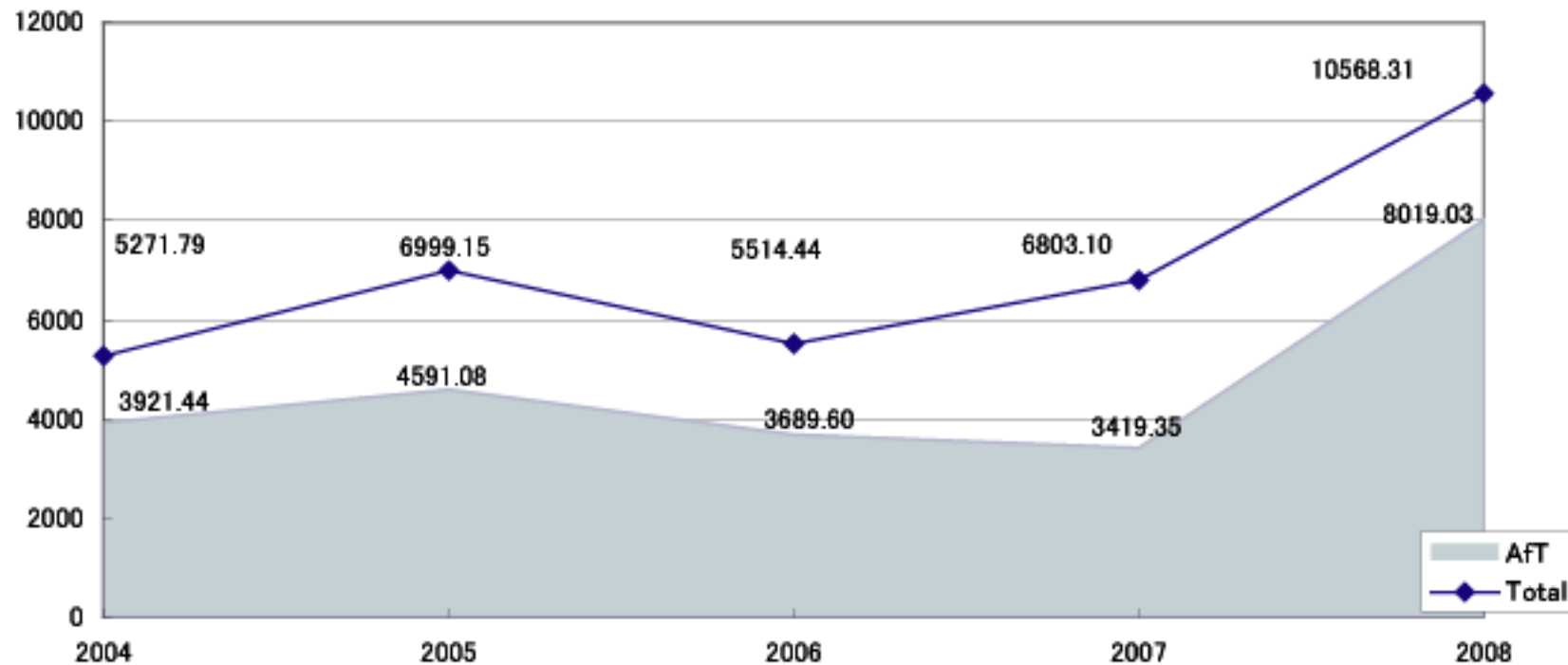
- **Tackling complex and difficult issues flexibly with the field-based approach**

- **Fostering expertise for providing professional solutions**

- **Efficient and transparent operation**

AfT accounts for over a half of total loans.

Total Loans and Loans for AfT (2004-2008, USD million)



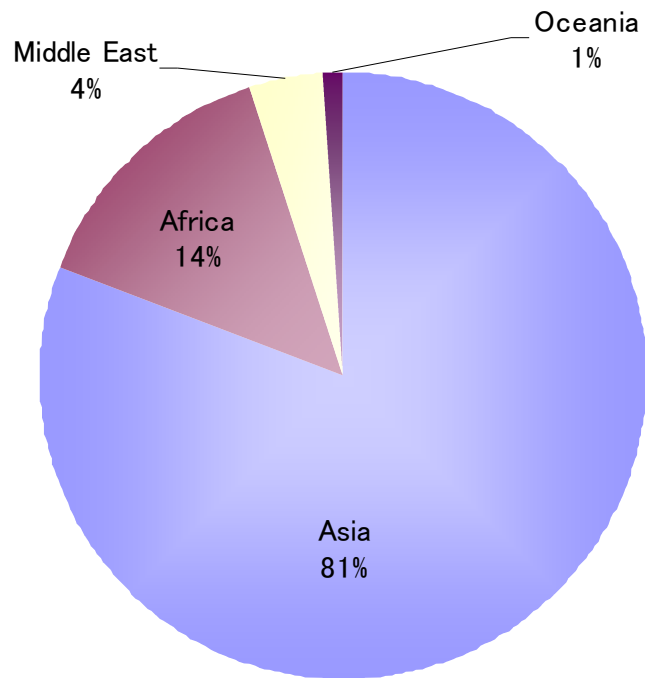
Exchange rate (DAC rate)

2004: JPY108.1/USD, 2005: JPY110.1/USD, 2006: JPY111.6/USD, 2007: JPY117.8/USD, 2008: JPY103.5/USD

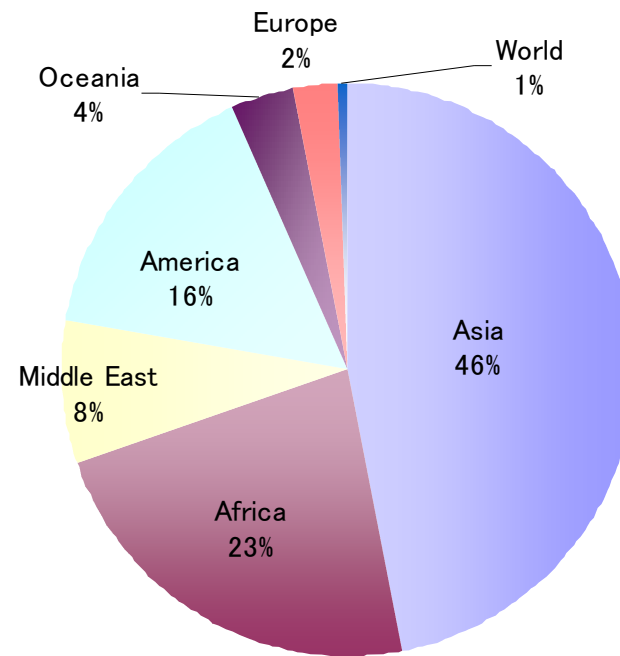
Asia and Africa are the main regions for JICA's AfT

JICA's Aid for Trade by Region (2007)

Loans

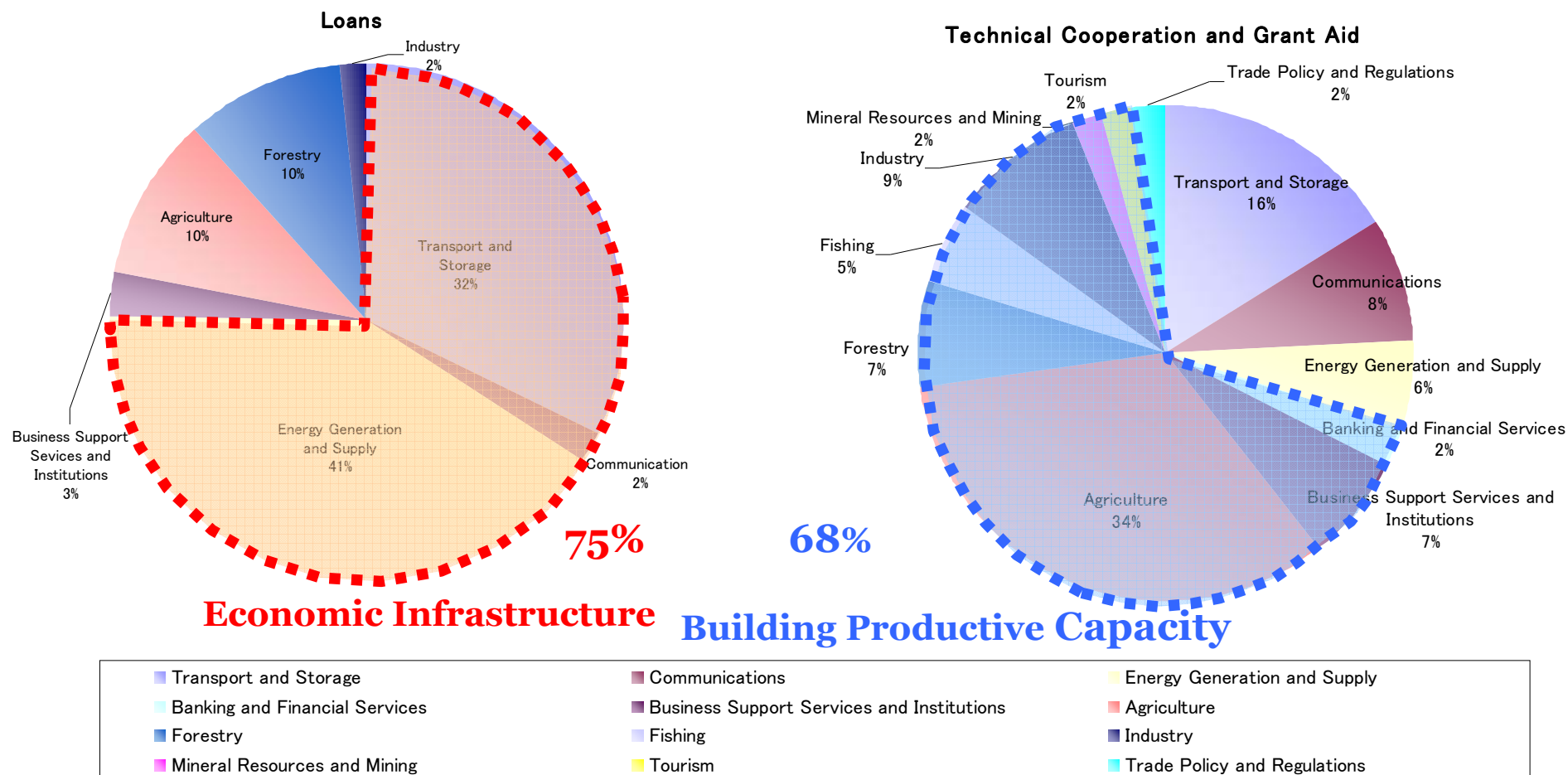


Technical Cooperation and Grant Aid



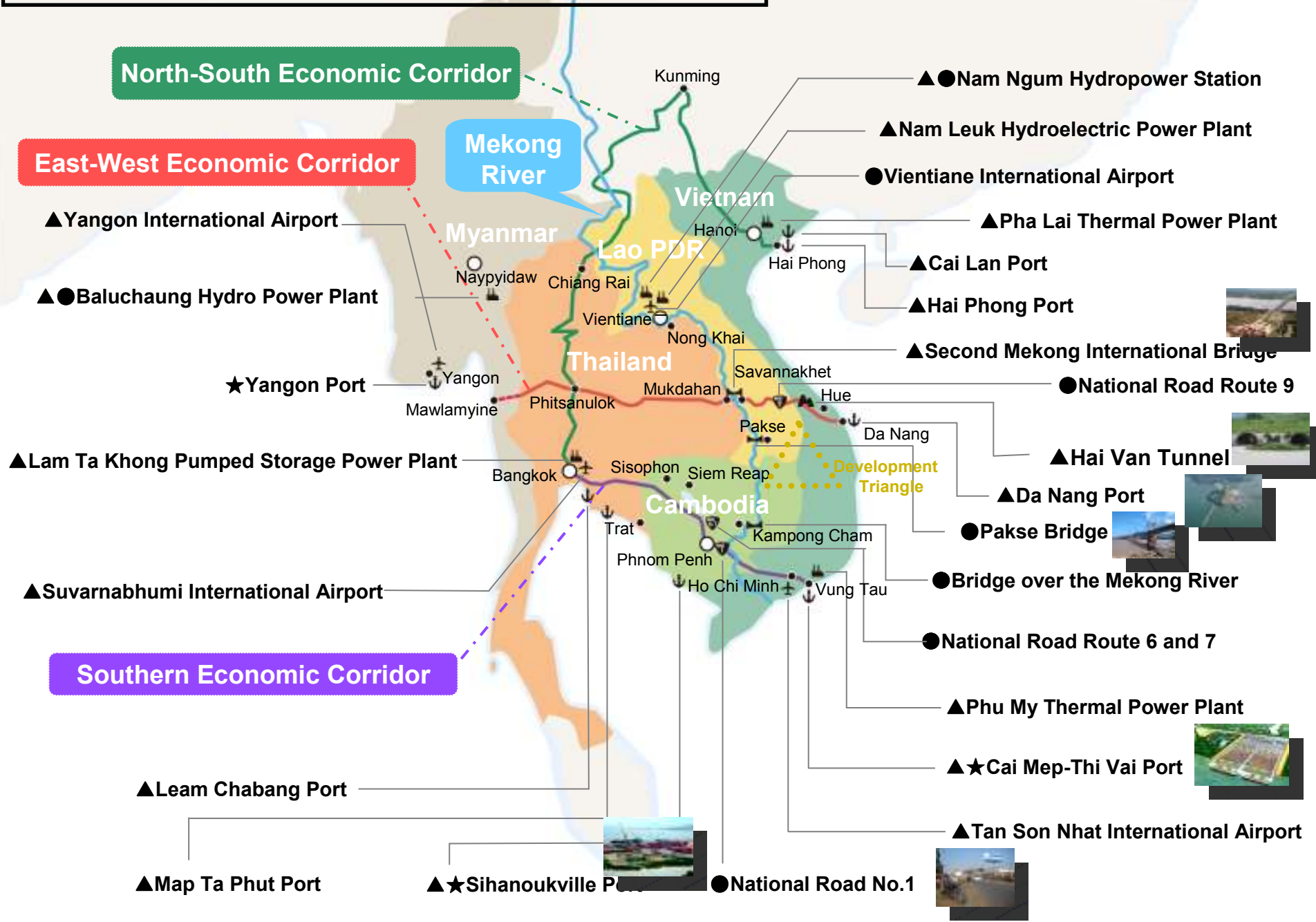
JICA aims to improve aid effectiveness through synergy between loans, and technical cooperation and grant aid

JICA's Aid for Trade by Sector (2007)



Major Economic Infrastructure and JICA Projects

▲Loans ●Grant Aid ★Technical Cooperation





People arriving at Savannakhet from Thailand. The bridge changed the movement of goods and people

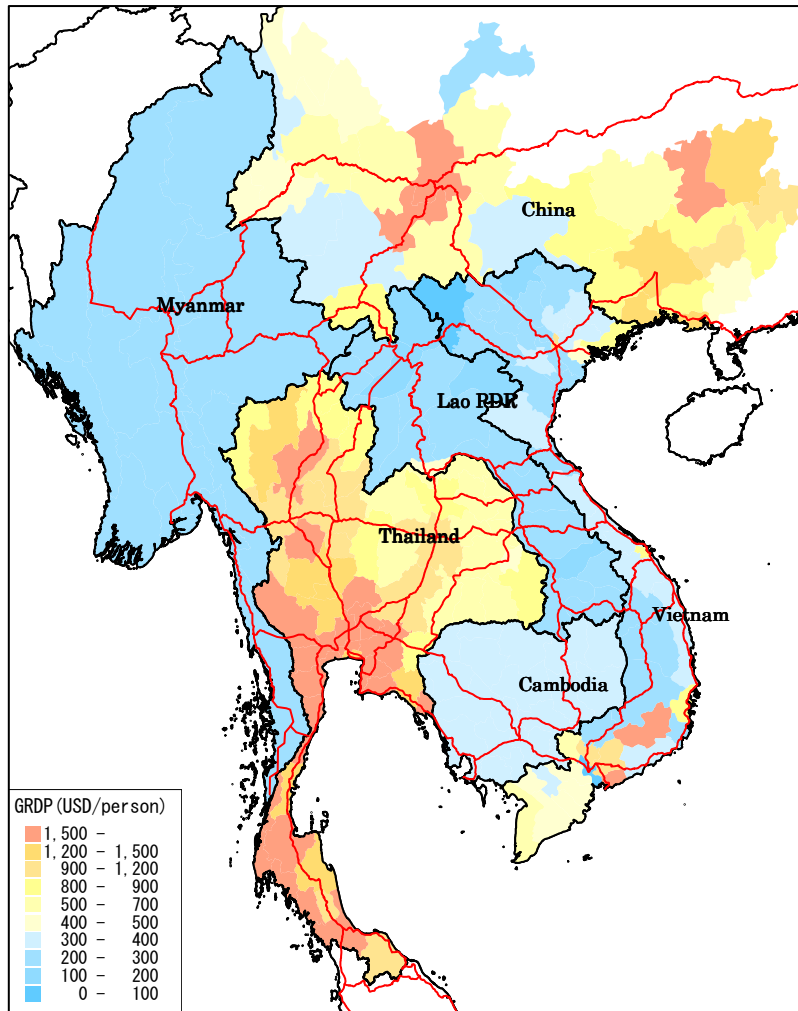


One stop service is provided at the custom office of Laos Boarder

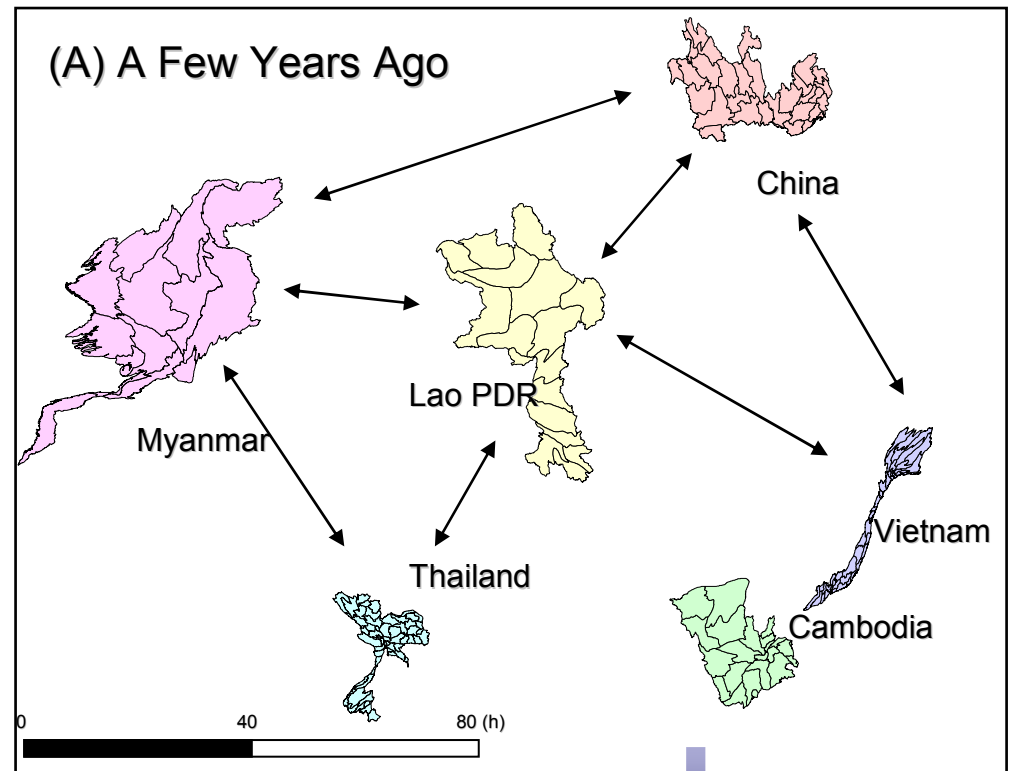
Second Mekong International Bridge



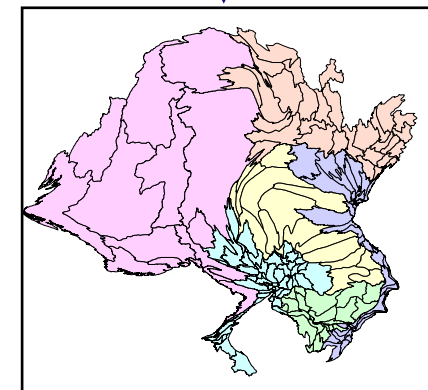
GRDP per capita in GMS Countries and Regions



Time Distance Between GMS Countries



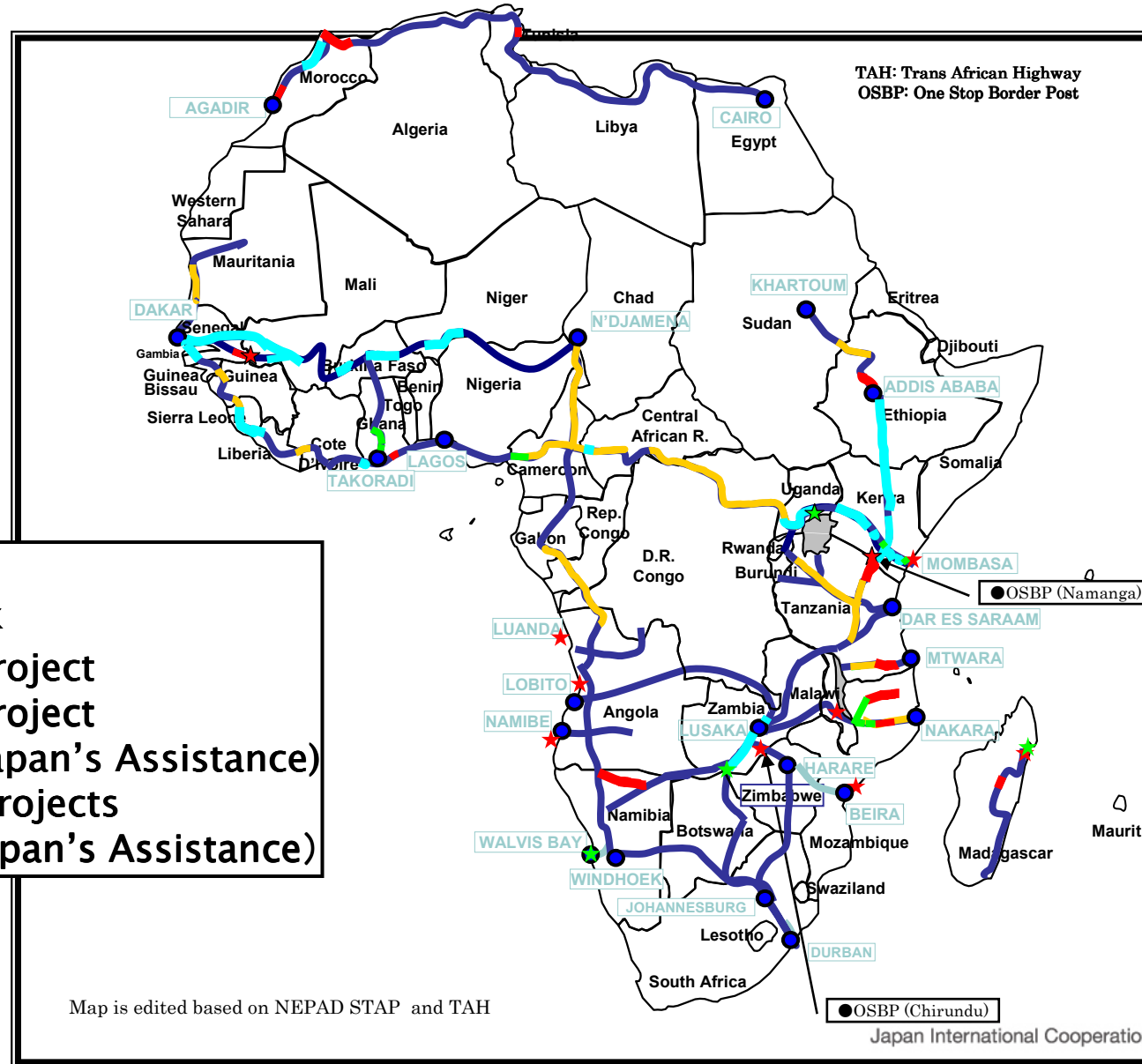
(B) After CBTI/CBTA Completion



Source: Univ. of Tokyo



Regional Infrastructure (transport)





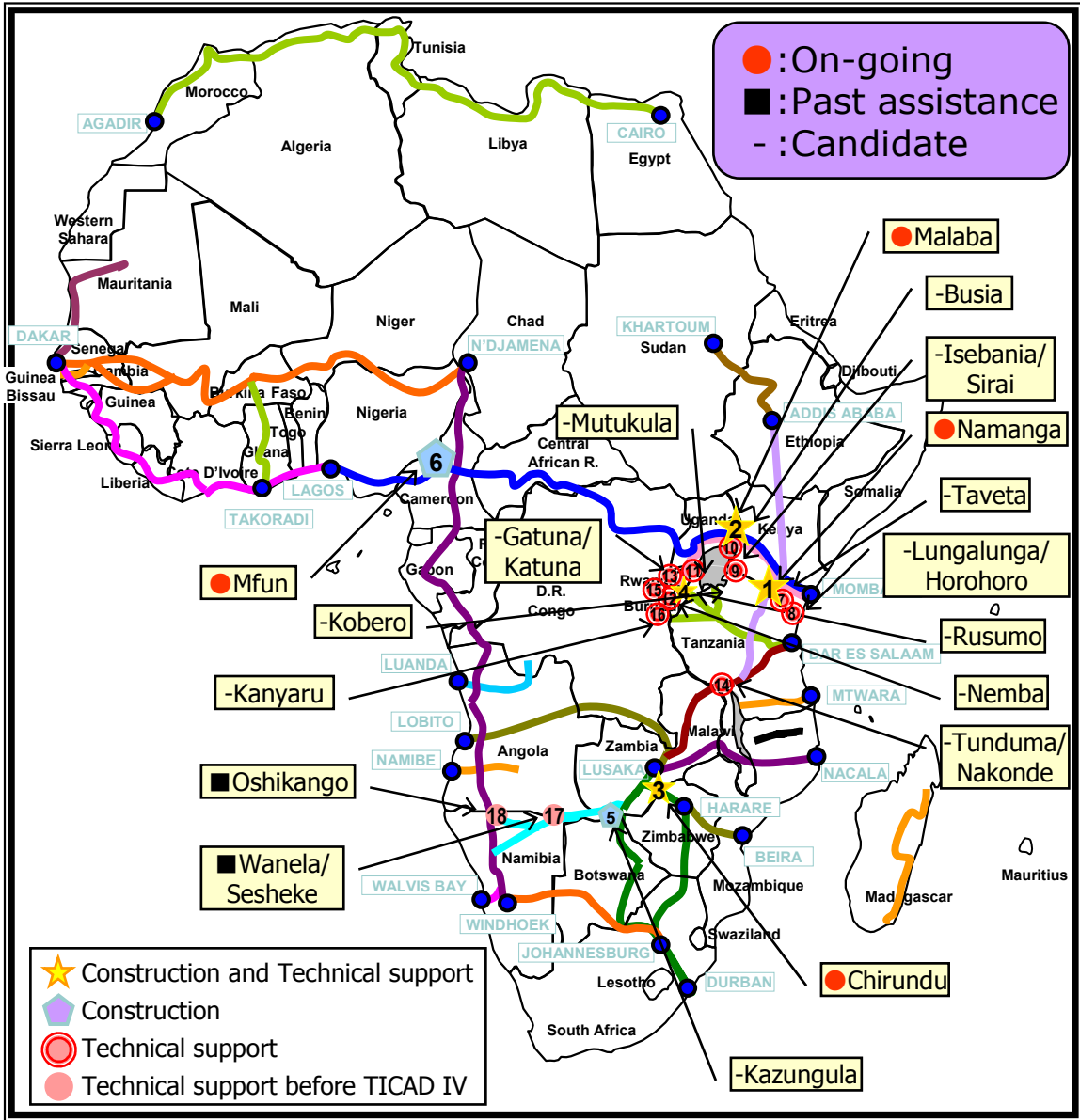
Present Status of OSBP Projects

◇ On-going projects ◇

<Construction of facilities>
Chirundu
Namanga
Mfun
Rusumo

<Facilitation of Legal Procedures>
Chirundu
Rusumo

<Capacity Building>
 - Custom administration in EAC
 - Training for border officials at Chirundu



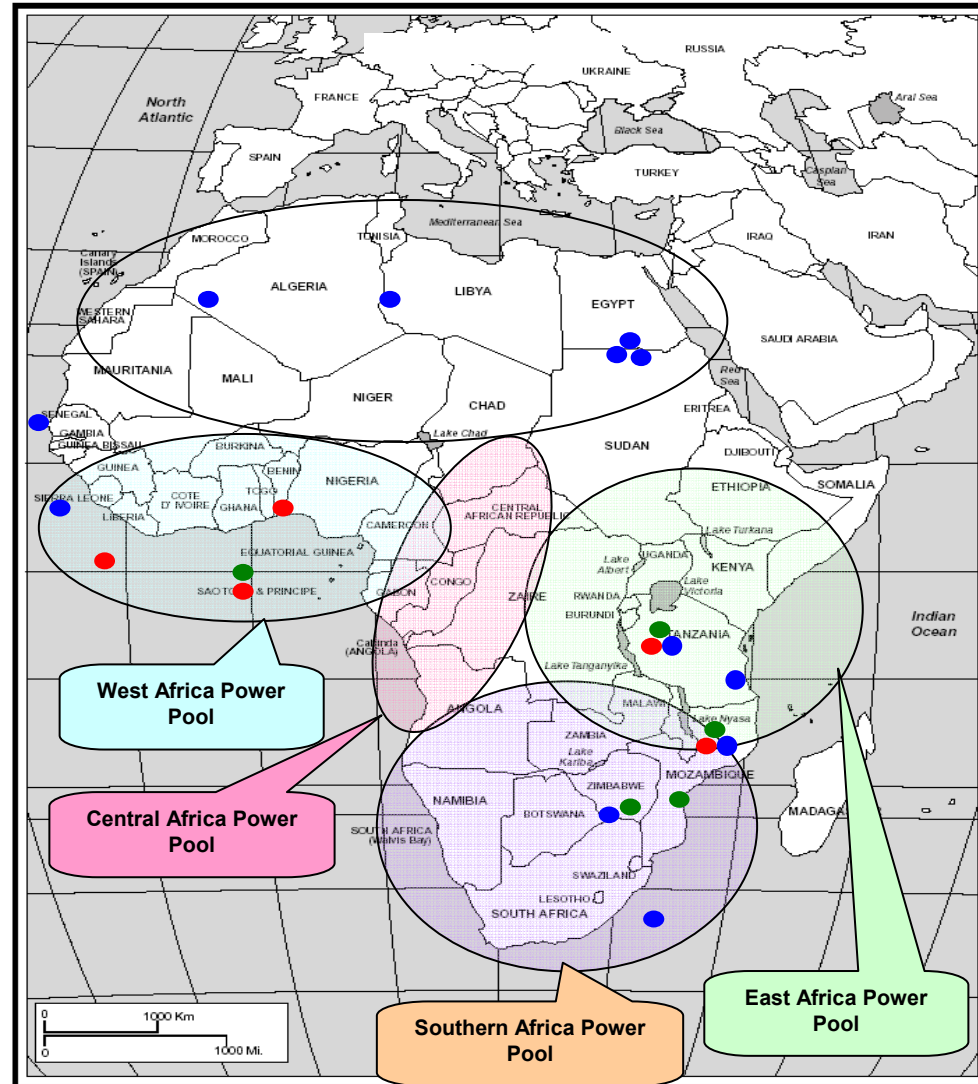


Regional Infrastructure (power)

AFRICA

Power Pool:

There are currently 4 power pools in Sub-Sahara Africa and the trade of power is free within regions.



● : Loans ● : Grant ● : T/A

Produced by the Cartographic Research Lab
University of Alabama

Japan International Cooperation Agency

Key Messages of the JICA Report on the Economic Development in Africa and the Asian Growth Experience (1)

- “Industrialization Strategy” as a **process** – NOT a piece of document
- A **trial and error process**: be aware, some may end up in flops, but it has to be embraced as part of the game
- Support measures adopted in accordance with **institutional capacity** – one may as well begin with neutral – cross sectoral – measures
- Most support measures are **permissible** for LDCs, even under today’s international rules

Key Messages of the JICA Report on the Economic Development in Africa and the Asian Growth Experience (2)

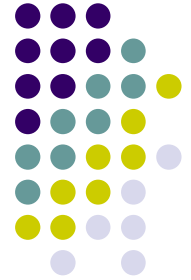
- Africa needs to sustain and accelerate growth through **export-oriented industrialization**
- Governments in Africa ought to have **more policy space** to discover and help develop growth-leading industries through trial-and-error process
- A call for establishing “**Industrialization Strategy**” process in Africa

Some unique features of the Asian experience

- **Diversity** in terms of development strategy, role of the state and growth-leading industries – consequence of the country's effort of strategic responses to the changing conditions
- Existence of **public-private partnership** for addressing private sector constraints, developing future strategy and facilitating coordination
- **Long-term (transformational)** perspective in development strategy, which formed economic and social basis of development and guided private sector investment

Diversified Paths of Development in Asia

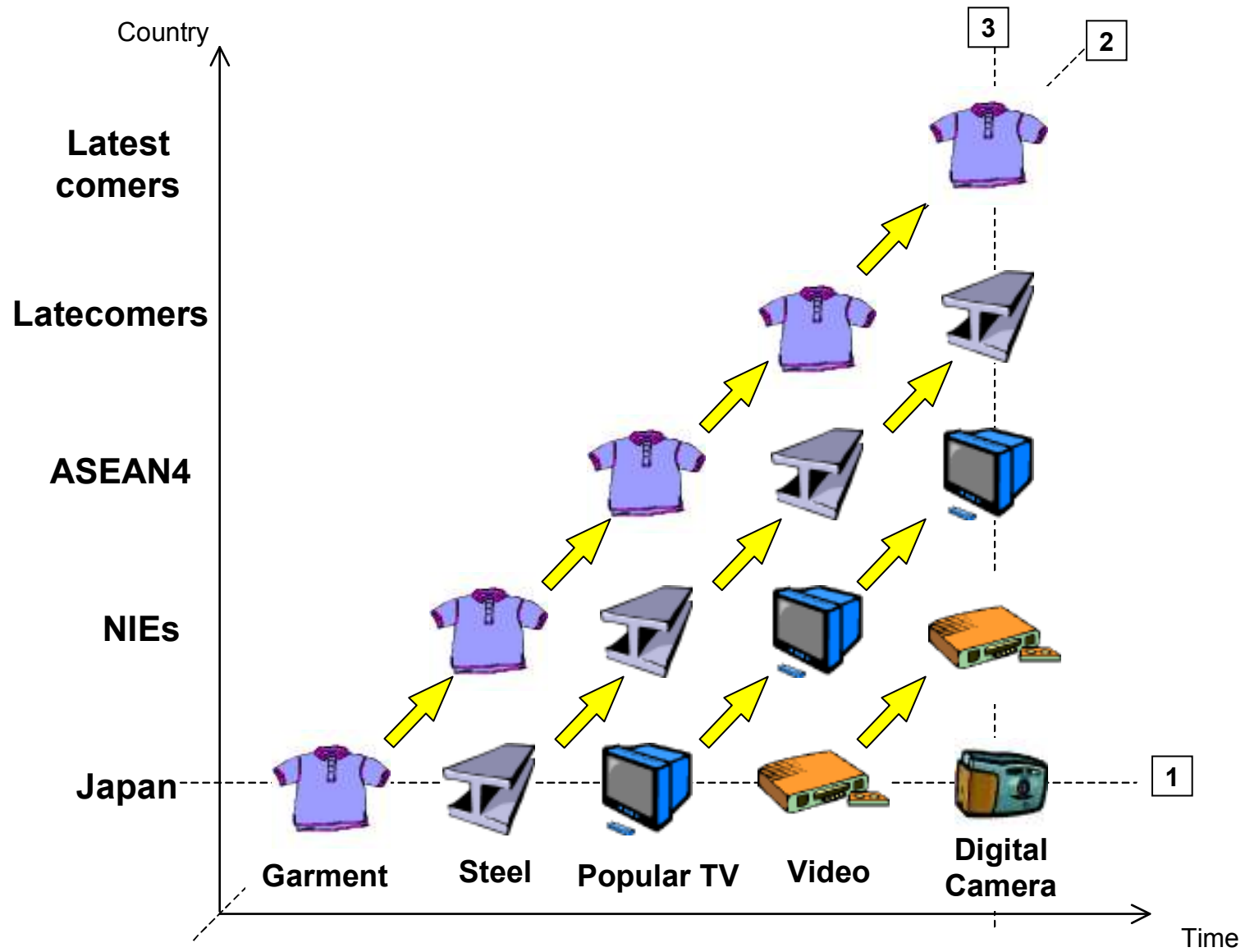
- Diversity across **Countries**
 - Domestic Capital-Dependent vs. Foreign Capital-Dependent
 - Natural Resource-Rich vs. Natural Resource-Poor
 - Interventionism vs. Liberalism
 - Diversity over **Time**
 - IS → EO → (IS ↔ EO) → Globalization
 - Diversity in growth-leading **Industries**
 - Heavy industry, consumer electronics, textiles, agro-processing, human resources, ICT ...
- ➔ A self-owned process of **strategic responses** to the changing environment and challenges/opportunities

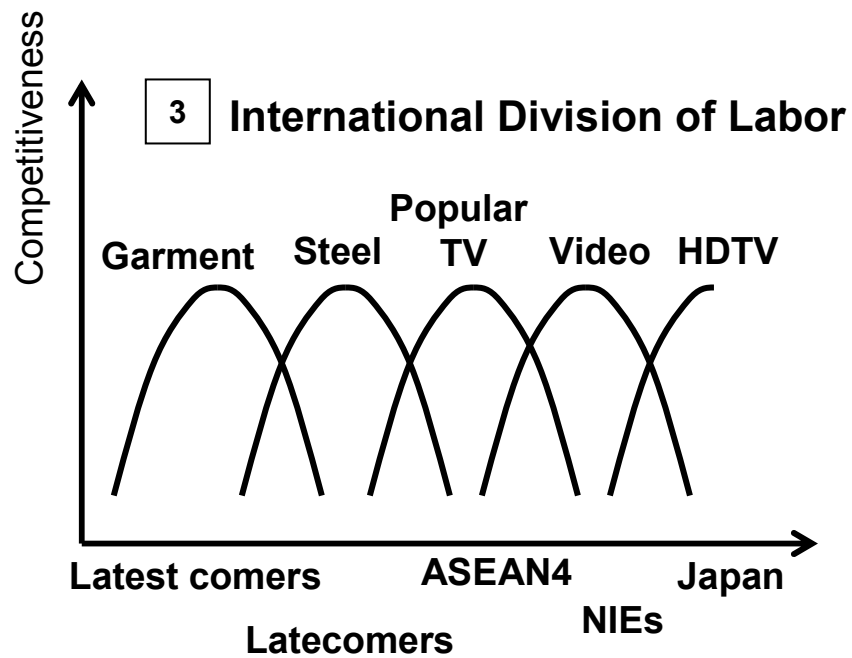
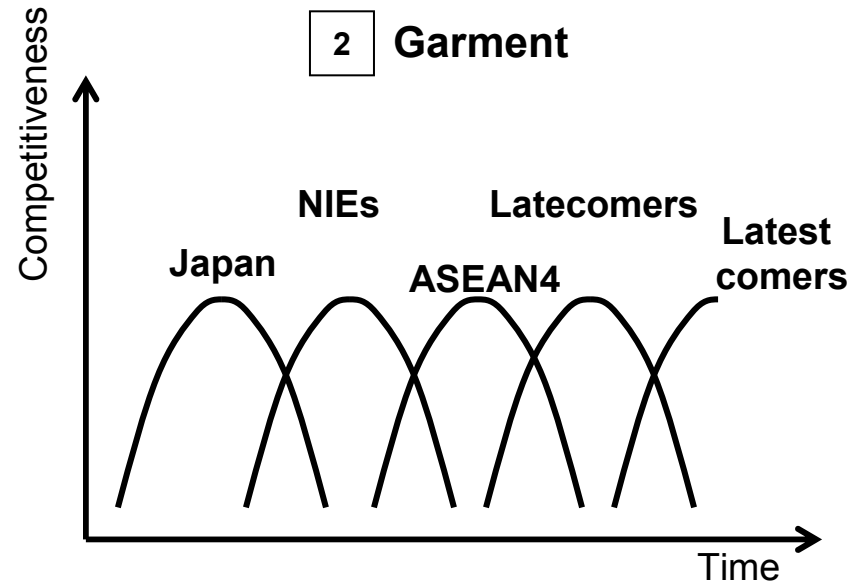
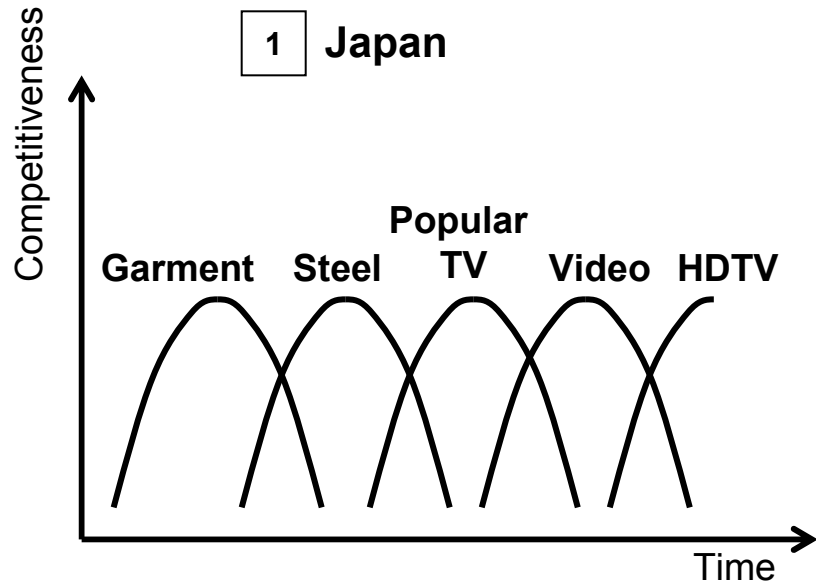


“Asian Dynamism”

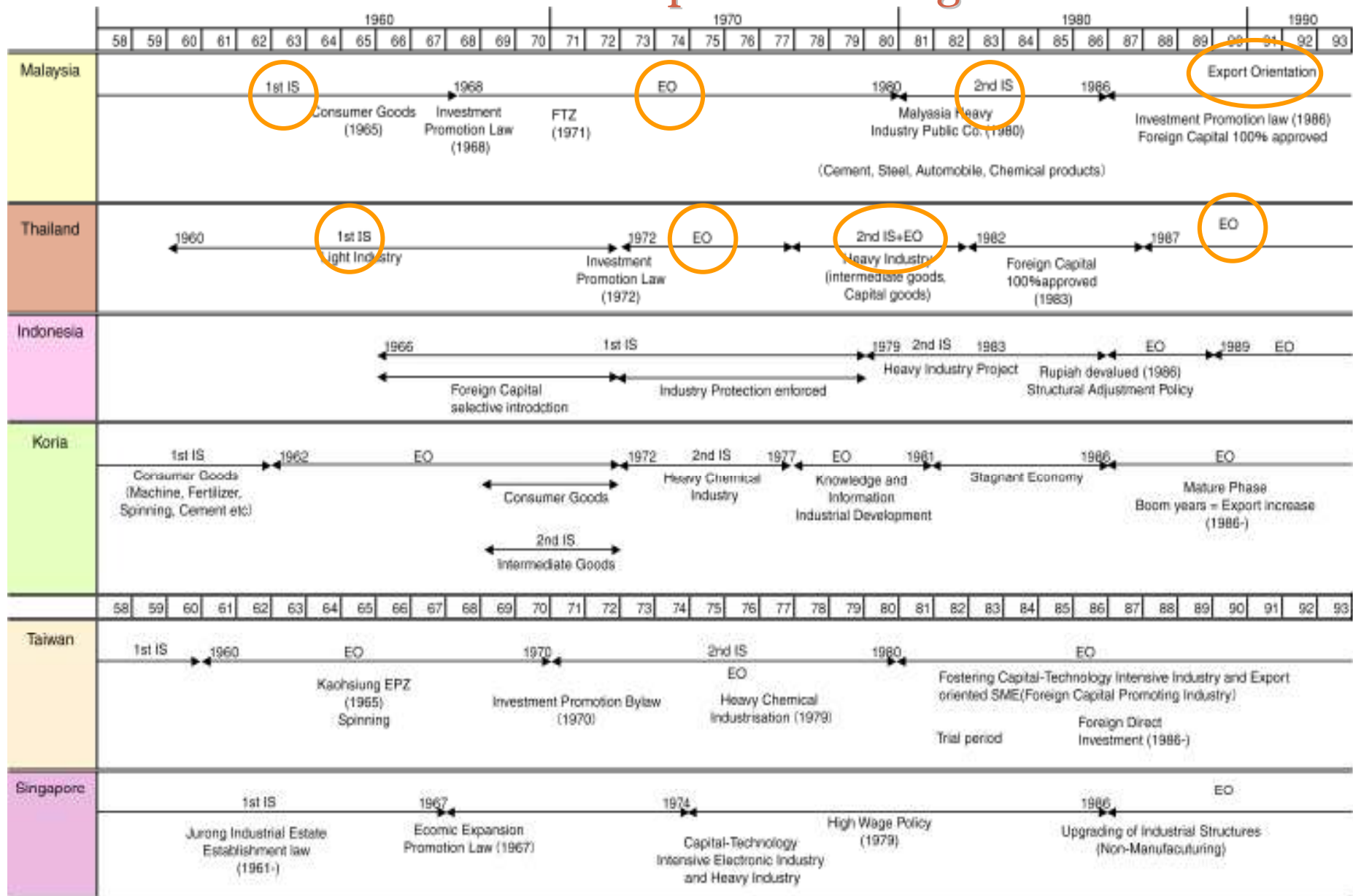
- Geographic diffusion of industrialization – growth: a regional phenomenon
- Within each country, industrialization proceeds from low-tech to high-tech
- Also known as the *Flying Geese Pattern*
- Clear order and structure (with a possibility of re-formation)

Structural Transformation in East Asia





Transition of Development Strategies in Asia



IS : Import Substitution Strategy

Long-term (transformational) Perspective in Development Strategy

Through **tripartite dialogue** b/w public-private-academics,

- Identify the long-term **vision** of the country's economic development
- Discover **growth-leading industries** based on existing and latent potentials
- Identify the **constraints** surrounding the growth-leading industries
- Devise **measures** to remove the constraints and as well as make necessary **investments** (infrastructure, HRD etc.) to support the industries

Key principles of “Industrialization Strategy”

- Industries mean **more than manufacturing** – includes services sector and agriculture
- Clear and objective **criteria** to discover the industries and maintain **transparency** in the process
- Establish a **“process”** of P-P dialogue
- Support with **discipline** (punishment and exit strategy) and apply **rule of competition**
- Proceed as **institutional capacity** develops

Role of the international community

- **Embrace diversity** of development strategies in Africa and support countries with strong commitment to advance own strategy
- Sustain efforts to maintain/enhance **market access** of African products
- Invest in large-scale **infrastructure** with regional impact
- Support **technological capacity** building in Africa

Action by GoJ/JICA to advance IS in Africa

- Support to the dialogue-based **formulation** of “Industrialization Strategy”, incorporating Asian experience, in some selected African countries
 - commitment by GoJ expressed in **TICAD IV Action Plan**
- The process needs to be **harmonized** with other processes – investment in infrastructure and other business operations
- Donor **coordination** needs to be heeded – including “Growth Diagnostics” – to promote mutual learning and complementarity between the two processes



Case Study 1: Industrial Policy Support to Ethiopia

TICAD IV
(May 2008)

*G8 Hokkaido
Toyako Summit*
(Jul. 2008)

*The Initiative for
Policy Dialogue (IPD)
:African Taskforce
Meeting in Addis
Ababa* (Jul. 2008)

*Symposium
: Economic Development
in Africa and the Asian
Growth Experience*
(May 2008)



Follow up Japan's enhanced support to Africa



Industrial development support framework in Ethiopia

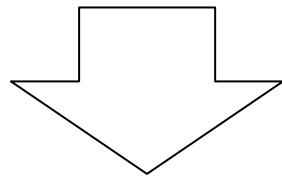
Request from Prime Minister Meles (July, 2008)

Support to formulate development policy

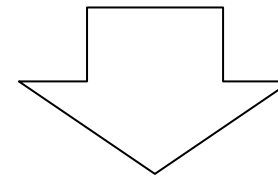
Exchange of views on industrial development strategy, and recommendations by the Japanese side based on Asian development experience.

Support to nurture private companies

Technical cooperation of JICA for enhancing competitiveness of private companies on the basis of JICA's experience in Tunisia.



The project of policy dialogue
on industrial development



The project on quality and
productivity improvement
(KAIZEN)



The project of policy dialogue on Industrial Development

	2009									2010									2011											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr					
Policy Dialogue Schedule of HLF			▲		▲			▲			▲			▲			▲			▲				▲						
1) Policy vision with Prime Minister's Office	Review on Policies & Strategies												1st Report												2nd Report					
2) PASDEP with MoFED & MoTI	Review on PASDEP															1st Report												2nd Report		
3) Sectors with MoTI				Review on MoTI's Implementation												1st Report			Depth Review & Recommendation on MoTI's Implementation in Selected Sub-Sectors						2nd Report					
4) Project and Action with MoTI	Sharing of Japan's Experience			Progress and Findings of Study Project																		2nd Report								
Kaizen Project 1) Quality & Productivity Improvement by Kaizen	Preparation		Sector Study (phase 1)		Pilot Projects (phase 2)										Disemination (phase 3)															



The project on quality and productivity improvement (KAIZEN) (1)

What is KAIZEN?

KAIZEN, in Japanese management, means “continuous improvement” of productivity and quality without additional cost, in a participatory process and a bottom-up approach.

This management practice method has spread among Japanese companies in Japan and abroad. JICA has also offered assistance for KAIZEN to many developing countries in Asia and Latin America in particular.



The project on quality and productivity improvement (KAIZEN) (2)

Profile of the project

1. Objective:

- To formulate a national plan for enhancing activities on quality and productivity improvement for Ethiopian enterprises in industrial sector
- To formulate a manual for explaining and guiding the quality and productivity improvement activities
- To transfer relevant skills and techniques to the staff members of the Kaizen Unit, Ministry of Trade and Industry

2. Period:

2 years (August 2009 ~ April 2011)

3. Implementing Institutions:

- Ministry of Trade and Industry (MoTI)
- Japan International Cooperation Agency (JICA)



The project on quality and productivity improvement (KAIZEN) (3)

Major activities -1

Phase 1	<ul style="list-style-type: none">• Situation analysis on quality and productivity improvement activities of Ethiopian industry• Visit to the factories in industrial sector for preliminary diagnosis• Preparation for the pilot project<ol style="list-style-type: none">a. selection of methodology for quality and productivity improvementb. set the criteria and selection process for the pilot companiesc. selection of 30 pilot companies
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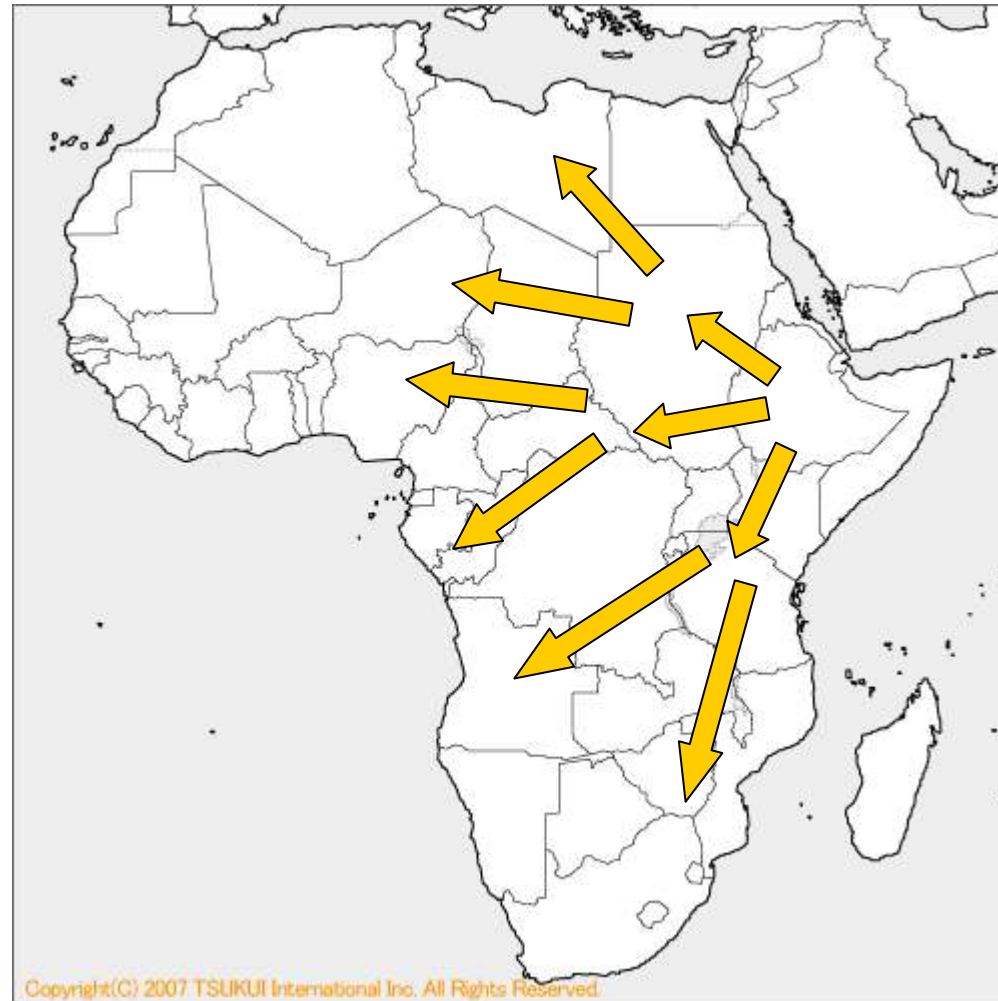
The project on quality and productivity improvement (KAIZEN) (4)

Major activities - 2

Phase 2	<ul style="list-style-type: none">• Implementation of the pilot project<ol style="list-style-type: none">a. to visit the pilot companies to diagnose the situation, and to give guidance on the quality and productivity improvement activity (KAIZEN) with the staff members of the Kaizen Unit, MoTIb. to repeat factory visit periodically and give KAIZEN advice and to monitor the KAIZEN processc. to evaluate the pilot project and compile recommendations to the factories
Phase 3	<ul style="list-style-type: none">• Formulation of a National Plan including an Action Plan of KAIZEN• Formulation of a Manual



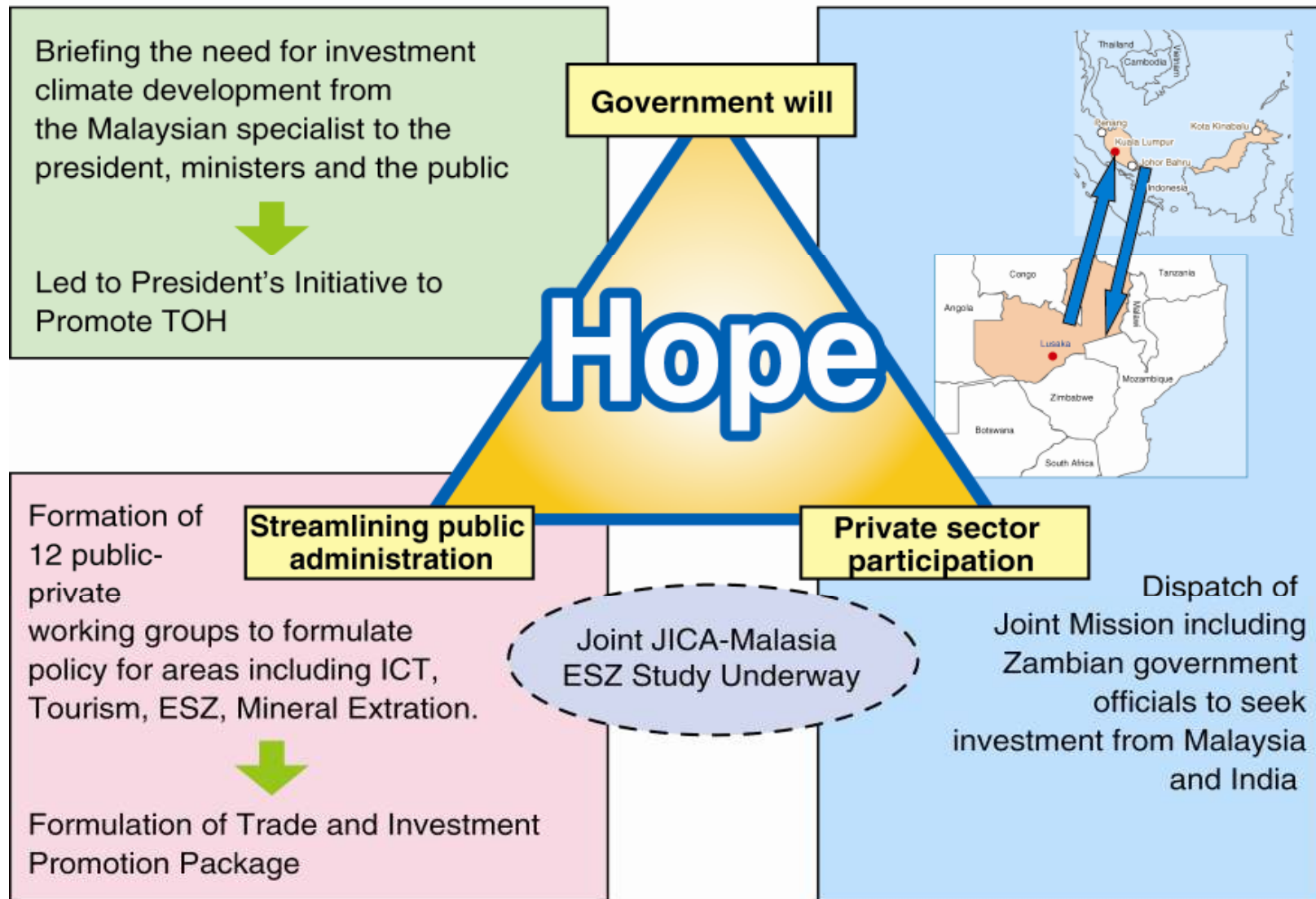
Spreading out the **KAIZEN** movement from Ethiopia to other African countries



Case Study 2: Investment climate development in Zambia (Triangle of Hope Project)

- Calling for coordination and sharing of vision among **three partners** of development – political leaders, private sector and civil service
- Capitalizing on Asian (Malaysian) expertise and experience, a case of **South-South cooperation** supported by JICA
- Selected **12 priority sectors** based on country's existing and latent potentials and prepared T/I promotion package– even “landlocked-ness” is conceived to be an advantage, as being a potential for developing Air-Cargo Hub & Inland Port within the sub-region
- **Business promotion** is being advanced with Malaysia and India. Some agreements for joint ventures have already been concluded for establishing mobile-phone factory, telecom. college and specialized hospital ...

[Triangle of Hope: Creating the Optimal Conditions for Investment]





Concluding remarks

- “Industrialization Strategy” as a **process** – NOT a piece of document
- A **trial and error process**: be aware, some may end up in flops, but it has to be embraced as part of the game
- Support measures adopted in accordance with **institutional capacity** – one may as well begin with neutral – cross sectoral – measures
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Thank you for your attention