

# II. Boosting Economic Growth

Despite the setbacks African countries have suffered, many are well-placed to recover, provided governments continue with reforms and the international community plays its part. Significant growth prior to the onset of the global economic crisis was due in part to a favourable external environment, including high commodity prices, favourable terms of trade, and increased private capital flows, but sound economic policies and improved macroeconomic management also played an important role. The policy environment in Africa remains largely favourable and conducive to robust growth provided the global economy revives and external resources are forthcoming.

Potential sources of growth on the continent include exploitation of natural resources, agriculture, tourism and manufacturing. However, serious challenges will have to be addressed. Major infrastructure gaps continue to inhibit the productivity and competitiveness of most African countries, while improvements in governance, transparency and public sector management are needed to generate public confidence and attract domestic and foreign investment. In many instances also, women lack employment opportunities, and education systems do not equip students with the skills needed in a competitive global economy.

In terms of boosting economic growth, the policies African governments put in place will be decisive, but the support of bilateral and multilateral partners, as well as the private sector, will also be needed. Support must also go beyond development assistance, so that private investment and regional and international trade become key factors in promoting and sustaining Africa's growth.

## 1. Infrastructure



Taking into account the massive demand for infrastructure in Africa, it is clear that all stakeholders must strive for efficient and effective support and that clear prioritisation within each region is essential.

Currently, the Infrastructure Consortium for Africa (ICA) is working on a strategic business plan, intended to entrust coordination among partners to sectoral working groups, while waiting for finalisation of the Programme for Infrastructure Development in Africa (PIDA) by the African Union (AU) and the New Partnership for Africa's Development (NEPAD).

### The Status of Japanese Assistance - April 2008 - March 2010 (provisional)

Japan aims to maintain close contact with the international community and the private sector in order to facilitate strategic resource allocation to each region. Japan has made considerable progress in the infrastructure sector with the YAP target for grant aid and technical cooperation already achieved (117%) and Yen Loan infrastructure projects committed accounting for nearly US\$ 1.5 billion. However, in each sub-sector level, more assistance is required especially in the irrigation sector. Japan will continue to contribute to this sector beyond the YAP target.

#### Total amount of committed ODA projects in the infrastructure sector (April 2008-March 2010)

(100 million yen)

	Transport	Power	Water	Irrigation
Loan	294.54	1,046.25	225.00	0
Grant & Tech. Coop.	318.43	113.62	280.42	92.98

\*Detail of the data can be found in the web site: <http://www.mofa.go.jp/region/africa/ticad/ticadfollow-up/report/index.html>

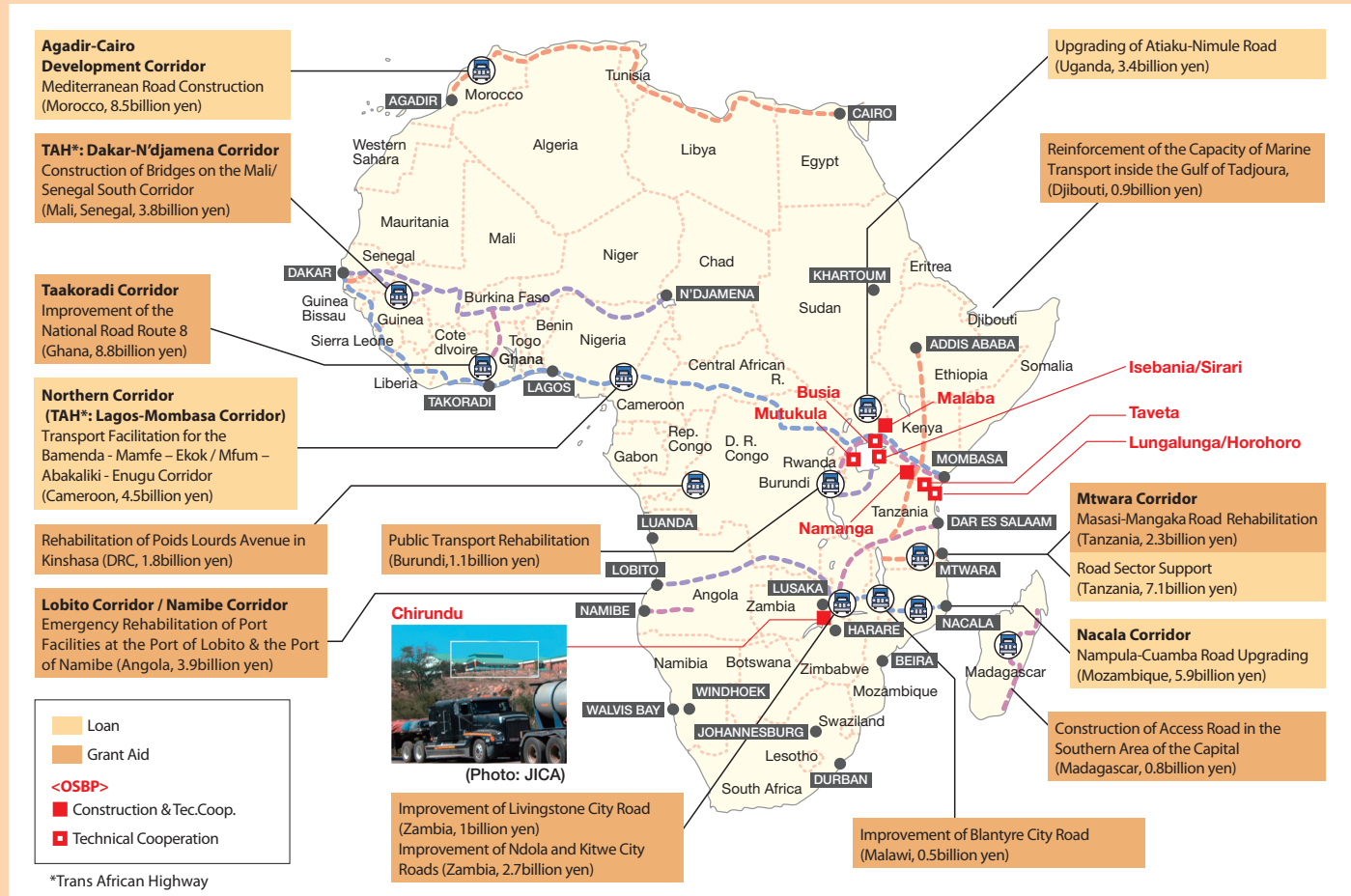
# 1. Infrastructure(Cont.)

## Regional Transport Infrastructure

Japan intends to concentrate its financial and technical support on selected corridors in each region, primarily focusing on roads, but not excluding ports, bridges, urban transport and railways. With regard to the establishment of 14 "One Stop Border Post" (OSBP) to facilitate smooth and efficient cross-border procedures,

support for eight locations is currently in progress, and plans are underway for six other locations. Seminars for heads of Revenue Authorities and Customs Administrations of African countries were also held in collaboration with the World Customs Organisation (WCO).

### Japan's cooperation for regional transport infrastructure



## Involvement of Regional Institutions and Public-Private Partnership

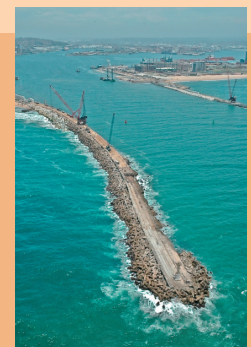
JICA is currently dispatching personnel to the NEPAD and the East African Community (EAC) Secretariats. However, as the role of the Regional Economic Communities (RECs) is expanding especially in the infrastructure sector, it would be desirable to further strengthen future partnerships.

The utilization of Other Official Flows (OOFs) is progressing in the infrastructure sector to promote public-private partnership that will facilitate business activities. (See Figure)

(See "I. Overview" and "II.2.Trade, Investment and Tourism" section for further information on Public-Private Partnership)

### Expansion of Port of Durban: (signed on March 26, 2009)

The loan of 35 billion yen was co-financed by three Japanese commercial banks and JBIC with JBIC also providing a guarantee for their co-financing portion. The loan finances activities to be undertaken by Transnet, a 100% South African state-owned freight rail, ports and pipeline company, including widening of entrance channel and deepening of Port of Durban.



(Photo: Transnet)

### South African power transmission: (signed on July 9, 2008)

The loan of 7.5 billion yen was co-financed by six Japanese commercial banks and JBIC with JBIC also providing a guarantee for their co-financing portion. The loan finances ESKOM for its Northern Grid Transmission Projects, which aim to strengthen and expand the existing transmission network to promote growth within the Limpopo province, South Africa.

## Regional Power Infrastructure

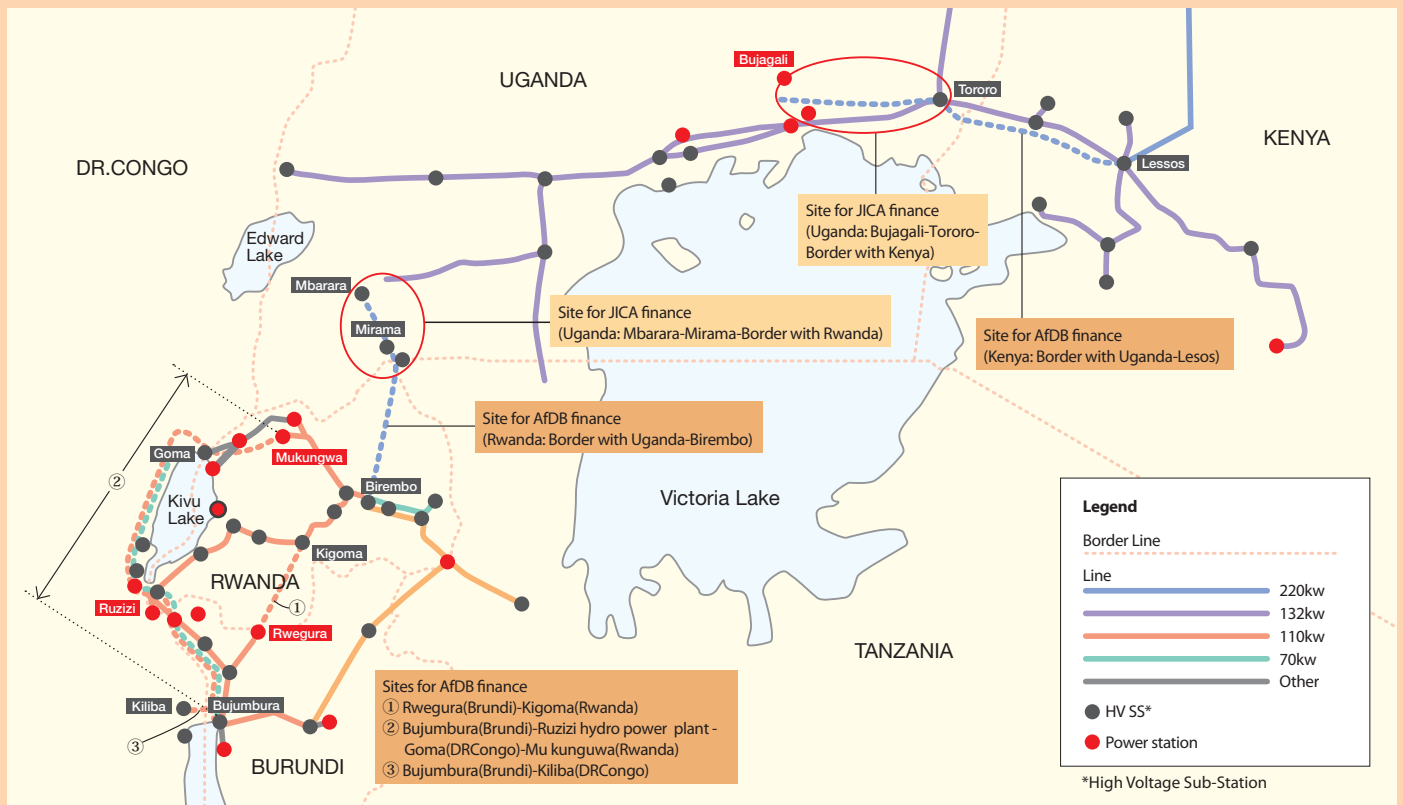
Effective ways for supporting regional power infrastructure, in collaboration with other partners, are being sought according to the circumstances surrounding the existing power pools of each region.

### Examples of Japan's recent support

#### Large-scale international transmission lines for a power pool:

##### Interconnection of Electric Grids of the Nile Equatorial Lakes Countries Project

ODA loan of 5.41 billion yen (equiv. US\$ 52.6 million) was provided to Uganda in Mar 2010, for installing a power transmission network among 5 countries of the Nile Basin (Uganda, Kenya, Rwanda, Burundi, DRC) through co-finance with AfDB.



#### Local Electrification:

##### Urgent Improvement of Electric Power Supply System in Sierra Leone

Grant aid of 1.651 billion yen (equiv. US\$ 16.1 million) was provided to Sierra Leone in May 2008, installing a 10MW power plant in Freetown which suffers from severe shortage of electricity due to internal turbulence.



## Efforts by Other TICAD Partners

The World Bank launched The Africa Infrastructure Country Diagnostic report, "Africa Infrastructure: A Time for Transformation", in November 2009. This indicated that a financing gap of US\$ 31 billion a year would remain even if an additional US\$ 17 billion each year could be mobilised through improving the efficiency of existing spending.

IBRD/IDA lending to infrastructure in 2009 totaled US \$3.6 billion

to Sub-Saharan Africa and US \$1 billion to North Africa, while IFC provided US \$219 million in support of private sector investments. In recognition of the importance of regional infrastructure, assistance to regional transport corridors, power pools and ICT backbone linkages was scaled up. The WBG will continue to increase lending for infrastructure as planned.

# 2. Trade, Investment and Tourism

## (1) Trade and Investment

### ✈ Trends in Trade and Investment between Japan and Africa

Japan's total trade with Africa in 2009 decreased by 46% compared to 2008. Despite the fact that the amount of direct investment from Japan for the period of January to September 2009 decreased compared to the same period of the previous year, some Japanese companies managed to engage in business activities in construction and installation projects including in Egypt, Algeria, and South Africa.

There has also been progress on bilateral investment agreements;

formal negotiations with Angola have begun and preparations for agreements with several other countries are in progress.

Continuous joint efforts such as those set out in the following paragraphs needs to be made by the public and private sectors of Japan and Africa in order to achieve tangible results towards the goal of doubling Japan's direct investment to Africa by 2012. (see p.5 for investment position up to 2008)

(Photo: JICA)



### ✈ Supporting African Capacity for Doing Business

African countries are striving to improve their business climate. According to the World Bank 2010 Doing Business report, 18 African countries have risen in rankings compared to the 2009 report. The most remarkable is Rwanda which rose from 143rd to 67th, and is ranked as the best performer in Africa. Various measures are currently underway by TICAD partners to make the trade and investment environment in Africa more conducive to business.

#### Promotion of Investment

● **JICA: Triangle of Hope (TOH) programme in Zambia**  
12 concrete policy recommendations and an action plan for the creation of a favorable investment environment in Zambia were drawn up with the assistance of a Malaysian advisor invited by JICA. This project emphasises strengthening the capacity of the Zambia Development Agency (ZDA) to be able to better conduct investment promotion activities. Consequently, a cellular phone company was established in Zambia in 2009 as a joint venture with a Malaysian company.



● **JBIC/UNCTAD: Policy recommendations in Nigeria**  
The Blue Book has been prepared jointly by JBIC and UNCTAD to encourage direct investment by Japanese firms in Nigeria. It contains an effective and realistic action plan of 15 short-term measures, including procedural improvement and a pilot Multi-facility Economic Zone.



● **NEPAD-OECD: African Investment Initiative**  
This Initiative, funded by Japan, aims to support improved African capacity to strengthen the investment environment for growth and development, and plays a role as a facilitator of region-wide dialogue on investment policy.

#### Examples of Japan's assistance to improve the business environment in Africa

##### Promotion of Trade

##### ● JICA: "Kaizen" programme

"Kaizen" refers to a philosophy and practices for continuous improvement deployed extensively by many Japanese companies. Following the two Kaizen projects in Egypt and Tunisia, JICA launched a new project in Ethiopia in 2009 after a series of high-level policy dialogues on industrial development under leadership of Prime Minister Meles Zenawi.

##### ● JETRO: Access Japan! (Mechanism for African products to enter the Japanese market)

JETRO is assisting African products to gain access to the Japanese market by way of support schemes such as dispatching experts and holding seminars and exhibitions at various stages. The One Village One Product Market at Narita and Kansai airports is another component of this mechanism. Currently, 6 projects are in progress to improve African products with high potential including cacao, tea, baskets, etc., after successfully completed 4 projects for developing competitive products such as below in 6 countries in 2008.

Mixed spices from Tanzania



(Photo: Baraka Co., Ltd.)

Jam and Herbal Tea from Kenya



(Photo: Fair Trade Company)

#### Private-sector Development

##### ● EPSA (Enhanced Private Sector Assistance) for Africa

EPSA is the joint initiative launched by Japan and the AfDB Group in 2005 to implement comprehensive assistance to the private sector in Africa. As part of its commitment to provide ODA loans up to US\$ 1 billion over five years from 2005, 32.1 billion yen (equiv. US\$300 million) was provided in September 2008. In addition, the Fund for African Private-Sector Assistance (FAPA) was established in AfDB as a trust fund to provide technical assistance toward the development of SMEs, the capacity building of financial organisations, and strengthening the governance of public sector.



## ✈ **Public Support for Japanese Corporations (Public-Private Partnership)**

The Government of Japan is stepping up its “Public-Private Partnership for Boosting Economic Growth” programme, and in addition to proactively disseminating information through various means including seminars and symposia, it is strengthening measures to encourage the utilisation of official funding sources such as ODA to facilitate business by Japanese corporations.

In 2009, a high-level joint tourism-reconnaissance mission was dispatched to Rwanda prior to the Fifth Africa-Asia Business Forum (AABF V). In addition, a number of working-level public-private joint missions was dispatched to promote trade and investment in various sectors. At least 15 such missions were undertaken between January 2009 and March 2010, including the January 2010 Study Tour to Southern Africa to explore modalities for public-private sector collaboration. In December 2008 and November

2009, symposia organised by the Government of Japan on the promotion of trade and investment provided the opportunity for Japanese corporations to learn about the trade and investment climate in 13 different African countries.

In 2009, the Government of Japan initiated public support for the promotion of the Base of Pyramid (BOP) business, a sustainable business targeting the poorer segments of society that contributes to solving their social and development agenda. The associated support mechanisms have been devised by JICA and JETRO, which function in a similar fashion to existing programmes such as the UNDP’s Growing Sustainable Business (GSB) programme. It is anticipated that this will further contribute to the diversification of public-private partnerships in Africa.

(See also p.6 and p.8 for details of the JBIC loan commitment)

## **(2) Promotion of Tourism**

The AUC is working on elaboration of a comprehensive tourism policy for the continent based on the NEPAD/AU Tourism Action Plan adopted in 2004. With an eye on potential opportunities arising from the upcoming 2010 FIFA World Cup to be held in South Africa, the Fifth Africa-Asia Business Forum (AABF V) focusing on tourism was held in Uganda in June 2009 by TICAD Co-organisers with UNIDO and UNWTO.

### **AABF V in Uganda**

With the participation of a total of 349 representatives from 35 countries of the public and private sectors as well as civil society and international organisations, MoUs and Partnership Arrangements to a total value of US\$245 million were signed; the Forum issued the Chair’s Summary containing policy recommendations on future actions including:

- (i) the importance of a holistic approach in public-private partnerships,
- (ii) the need for a targeted marketing strategy based on trends and profile analysis,
- (iii) tourism development to be environmentally sustainable and geared toward the poorer sector of society,
- (iv) Africa’s image to be improved through strategic public relations campaigns, and
- (v) effective utilisation of the various support measures offered by the TICAD partners.

(Photo: MOFA)



The President of Uganda and State Secretary for Foreign Affairs, Japan attended the opening

(Photo: JATA)

The total number of outbound Japanese travelers, worldwide, has been decreasing since 2007. With specific reference to Africa, it is clear that all stakeholders, both in Japan and in Africa, will have to make further efforts to facilitate and to promote a greater flow of Japanese tourists to the continent. As follow-up to the aforementioned policy recommendations, following measures were taken.

- At the JATA (Japan Association of Travel Agents) World Travel Fair 2009 held in Tokyo, in September, an “Africa Zone” was set up with support provided for an exhibition, and an African tourism promotion seminar targeting the Japanese travel industry was held.
- Utilizing Japanese funding, Japanese and English language stud-



ies were produced by UNDP and UNWTO (United Nations World Tourism Organisation) providing an overview of tourism in Africa with reference to the Asian and Japanese outbound markets.

- A JATA delegation was dispatched to southern Africa in February 2010 to survey the tourism infrastructure.
- JICA currently provides tourism support to a number of countries in Africa, and is in the process of preparing further cooperation measures. The JICA training programme for a tenfold increase in tourism-related personnel is in progress.
- WBG support for tourism is being scaled up. In 2009, work on a regional tourism strategy was begun and new projects with significant tourism activities were funded.
- UNWTO is reinforcing further partnership-building and resource mobilisation for the Benin regional initiative for Africa.

### 3. Agriculture and Rural Development

**T**ICAD IV was held when concern about the impact of high food prices was mounting, and called for a comprehensive response by the international community. Japan made the utmost effort to contribute to forming a globally coordinated response to the food crisis as well as an international framework to address medium to long term food insecurity, that led to the issuing of “the G8 Leaders Statement on Global Food Security” at the G8 Hokkaido Toyako Summit. Japan also worked with international organizations toward compiling principles and good practices to promote responsible international agricultural investment. The TICAD process will continue to promote measures that contribute to food security in Africa, bearing in mind MDGs 1 and 7, and the fact that most agriculture in Africa is rain-fed, and is susceptible to the effects of climate change, such as increased droughts and floods.

Within the continent, the AU has provided leadership in improving agricultural productivity and food security. Heads of State, having met in July 2009, reaffirmed the AU's commitment to agricultural development. Through the Comprehensive Africa Agriculture Development Programme (CAADP) process, African countries have developed comprehensive agricultural strategies and increased investment in agriculture. To date, 12 countries have signed CAADP compacts, and another twelve are expected to sign in the coming months. At the regional level, ECOWAS has signed a regional compact, COMESA will sign by mid-2010, and SADC is now engaging. CAADP compacts are results-oriented. Review of the investment/expenditure programmes that are designed following compacts focuses on dimensions, priorities, programme design, implementation capacity, and monitoring and evaluation. Once plans are finalized, partners are to agree to help meet financing gaps.

#### The Status of Japan's Assistance – April 2008 - March 2010 (provisional)

While the implementation of the YAP target for grant aid and technical cooperation is progressing well (80% achieved), there is still a need to encourage irrigation projects through grant and ODA loan. Further emphasis could be placed on the support for market access and improving agricultural competitiveness including through capacity building of agricultural leaders. Japan also en-

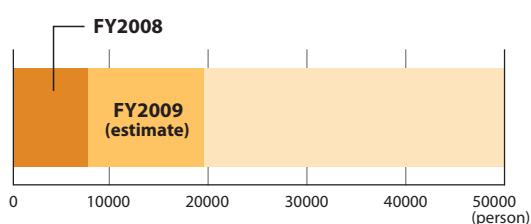
trusted US\$ 100 million to the World Bank through two Japanese trust funds to support producer organisations and the Coalition for African Rice Development (CARD) initiative including research at Consultative Group on International Agricultural Research (CGIAR).

#### Total amount of committed ODA projects in the agriculture sector (April 2008-March 2010)

(100 million yen)

	Irrigation	Agricultural Productivity	Others*
Loan	0	—	—
Grant Aid & Tech Coop	92.98	64.81	49.29

#### The progress on capacity building of 50,000 agricultural leaders



\* Fishery, livelihood development, agricultural development planning, etc.

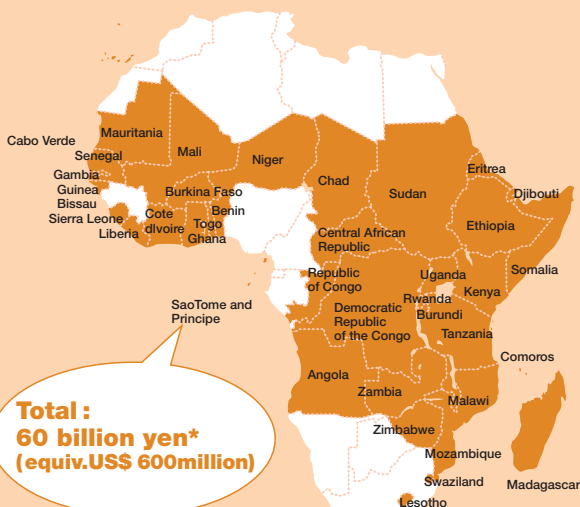
\*\* Detail of the data can be found in the web site: <http://www.mofa.go.jp/region/africa/ticad/ticadfollow-up/report/index.html>



## Japanese Food Aid

Japanese food assistance provided after TICAD IV up to March 2010 amounted to approximately US\$ 600 million and went well beyond the emergency food aid measures announced at TICAD IV, whereby US \$100 million would be provided between May and July 2008.

### Countries that received Japanese Food Aid after TICAD IV



## Sustainable Water Resource Management and Land Use

As part of TICAD joint-partner efforts to increase the amount of irrigated land area by 20% over the next five years, Japan intends to construct and improve irrigation facilities, and develop capacities on irrigation of African countries spreading over 100,000 hectares. Projects to cover 30,000 hectares have been committed by the end of March 2010. JICA, the World Bank, the African Development Bank and other financial institutions are collaborating closely to formulate projects to be implemented as soon as possible.

The World Bank IDA lending for agriculture increased to US \$1.5 billion in fiscal year 2009, exceeding its target of US \$1 billion per year. IFC is scaling up its support to agribusiness, with commitments of US \$74 million in 2009. The World Bank has put in place a new multi-donor trust fund to support the CAADP process—signed agreements represent a total secured contribution of US \$32 million. It is also managing four new multi-donor trust funds totaling US \$200 million to support regional approaches to agricultural productivity.

## The Coalition for African Rice Development (CARD)

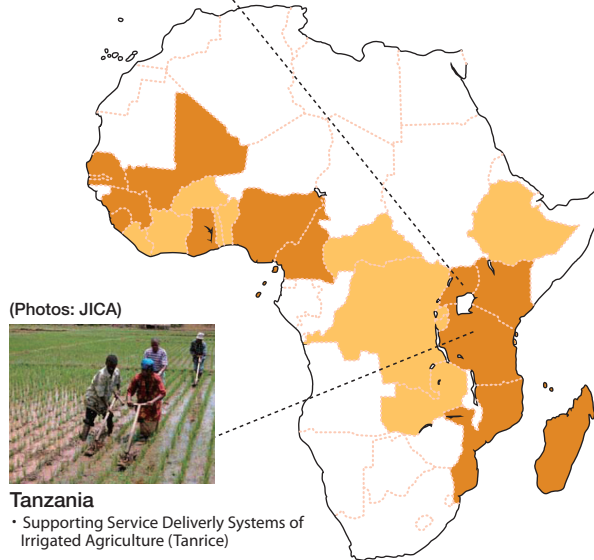
An initial group of 12 countries, and a second group of 11 countries have been selected. The first group presented country-based National Rice Development Strategies (NRDS) at the Second General Assembly of CARD in Tokyo in June 2009, providing the basis for various support measures by participating development partners. CARD orientation seminars for the second group of countries were conducted during Dec 2009-Jan 2010, and support for drafting NRDS was provided.

### Participating Countries of CARD and some examples of on-going JICA support



**Uganda**

- NERICA Rice Promotion
- Technical Assistance to Sustainable Irrigated Agriculture Development



**1st Group** Cameroon/Ghana/Guinea/Kenya/Mali/Mozambique/Nigeria/Senegal/Sierra Leone/Tanzania/Uganda/Madagascar

**2nd Group** Gambia/Liberia/Côte d'Ivoire/Burkina Faso/Togo/Benin/Central Africa/DRC/Rwanda/Ethiopia/Zambia

### CARD (Coalition for African Rice Development)

A consultative group of development partners including research institutions working in collaboration with rice producing African countries, aiming at doubling the rice production in Sub-Saharan Africa from current 14 million tons / year to 28 million tons / year by 2018. Support measures by partners will include breeding and selection of improved varieties including NERICA, improvement of cultivation techniques, increased use of inputs, post-harvest processing, marketing, capacity building, and elements of South-South Cooperation.