

Chapter 2 ODA for Growing Together



Project Manager Masao Hagiwara of the Obayashi Corporation explains the Saigon East-West Highway Construction Project in the tunnel portion of the road under the Saigon River. (Photo: Koji Sato/JICA)

Section 1 Inflow of Private Capital and Growth in Developing Countries

Poverty, starvation, infectious disease, climate change, and natural disasters are some of the many serious problems faced by developing countries. Since overcoming these problems requires substantial financial resources, it is difficult to meet these needs with ODA alone. It is necessary to meet financial needs using diverse financial resources, and it is expected that private capital will play

an important role in this. In recent years, the flow of private capital into developing countries has increased greatly, accounting for 70% of the funds going to these countries. Private capital for developing countries from DAC member countries amounted to \$322.3 billion in 2011, which is twice the total ODA amount (\$134 billion amount) of DAC member countries for the same year.

For effective development in developing countries, the role of the private sector is very important. Foreign direct investment is used not only as financing for developing countries, but also to transfer technology, knowledge, and experience. This leads to the strengthening of domestic industry and increased employment. As the world economy continues to globalize, if foreign direct investment increases, access to international markets and international competitiveness also increases, demonstrating the large role it plays in the growth of developing countries.

In order to bring in private investments, it is essential to have stable political climate, a legal/judicial system with a high level of integrity to make corporate activities possible, and a developed infrastructure that will be the foundation of these activities. Thus far, Japan has proactively provided cooperation for developing infrastructure and building up the trade and investment environment in developing countries, with the hope of promoting private investment. Particularly in Asia, economic infrastructure developed through Japan's ODA has acted as a catalyst in furthering private investments, and as a result, a high level of economic growth has been achieved.

In Africa, although political instability and a lack of infrastructure in some countries have been limiting factors, its potential as a market and source of natural resources is widely recognized. Interest in Africa by the private sector continues to increase. Through the framework of the Tokyo International Conference on African Development (TICAD), Japan has also supported the private sector's lead on economic growth in Africa. Additionally, at the G8 summit held in 2012, the New Alliance for Food Security and Nutrition was committed to launch as a new initiative for improving these areas in sub-Saharan Africa. This alliance leverages the vitality and technological innovation of the private sector to expand the African economy through their agricultural growth.

By developing infrastructure and the

trade and investment environment through the use of ODA in this way, constraints on corporate activities in developing countries are eased while costs and risks associated with investments are lowered, consequently promoting the activities of the private sector. This close tie-up of ODA and private capital is thus beneficial for all three of the concerned parties – developing countries, donor countries, and the private sector. The manifestation of the synergy created between ODA and private capital will more efficiently bring about a high level of economic growth in developing countries. Additionally, private companies, including those from Japan, can readily expand their operations overseas, widening the potential for new business.



Local farmers in Zambezia Province in Mozambique carry newly harvested rice. Japan is working in cooperation with Viet Nam on the triangular cooperation. Project for Improvement of Techniques for Increasing Rice Cultivation Productivity (See column on page 168) (Photo: Mika Tanimoto/JICA)

Amidst the rapid economic development of emerging and developing countries that has come with recent globalization and the reduction of Japan's domestic demand for products and services due to its aging population and lower birthrate, finding ways to incorporate the economic growth of emerging and developing countries in Japan for the survival of Japanese small and medium enterprises (SMEs) has become an important issue. Working in coordination with the Ministry of Economy, Trade and Industry (METI), which acts as the secretariat of the Conference on Supporting SMEs in Overseas Business, the Ministry of Foreign Affairs (MOFA) and JICA also began new efforts in FY 2012 that will contribute to both assisting developing countries and stimulating the Japanese economy. Specifically, while working in close coordination with METI, the Small and Medium Enterprise Agency, and the Japan External Trade Organization (JETRO), ODA is used to help resolve development issues in developing countries and help Japanese SMEs expand overseas. Although Japanese SMEs have exceptional products and technologies, they are in need of information and know-how pertaining to overseas operations. Similar to the collaboration with local governments that possess a high level of technology and know-how that was introduced in Section 5 of Chapter 1, SMEs are also supported by ODA. By setting up new aid schemes and using existing schemes as described below, ODA can thus simultaneously strengthen bilateral relationships while fostering economic diplomacy.

1. Project Type Grant Aid and Non-Project Type Grant Aid in Collaboration with SMEs

For Project Type Grant Aid, it is possible to use the technology and products of SMEs for the improvement of facilities, etc. For example, in the area of renewable energy, a rural electrification project is being planned using small hydropower plants, for which Japanese SMEs possess outstanding technology. JICA is currently conducting a Preparatory Survey for the project.

The "SMEs Non-Project Grant Aid" was started in FY

2012 to provide the products of Japanese SMEs based on requests from developing countries. The scheme is based on the results of preliminary surveys regarding the needs in developing countries, and aims to provide Grant Aid for the purchase of items that are manufactured by Japanese SMEs and useful in the socio-economic development of these recipient countries.

2. Commissioned Survey Projects Pertaining to Matching Assistance for Developing Countries with Overseas Expansion of SMEs

A new project for commissioned surveys began in FY 2012. This project consists of (i) Surveys of Needs, (ii) Feasibility Studies, and (iii) Dissemination Projects for Governments of Developing Countries.

(i) A Survey of Needs is conducted to comprehensively understand the needs in using the products and technologies of SMEs for resolving development issues. Development consultants, etc. will be commissioned for the studies that are needed for the formation of a development assistance project.

(ii) Feasibility Studies and (iii) Dissemination Projects for Governments of Developing Countries are based on

proposals from SMEs, etc. With the intent of developing an ODA project, discussions will be held with the governmental agencies of developing countries, upon which the products and technologies of Japanese SMEs will be utilized and/or the technical guidance will be provided (Dissemination Projects include surveys of needs, introductions, demonstrations, and proving suitability for products and technologies in the partner country). Subsequently, support will be provided for proposing projects that will contribute to growth in developing countries. Furthermore, these Feasibility Studies and Dissemination Projects for Governments of

Developing Countries will continue to be implemented while making adjustments to the system based on the experience acquired in FY 2012.

For each of the categories, 3~4 times more applications than the planned number of selections were received by the deadline (the end of July 2012). After undergoing a rigorous screening by a review committee including external experts, 8 Surveys of Needs, 32 Feasibility Studies, and 10 Dissemination Project for Governments of

Developing Countries were chosen. There were many proposals received for projects in Asia including Viet Nam, the Philippines, and India in the areas of the environment/energy/waste processing, vocational training/ industrial development, and water purification/treatment. In the future, ODA will continue to be used in formulating high-quality projects that contribute to the overseas expansion of SMEs.

3. Assistance through Technical Cooperation

When Japanese SMEs expand their operations overseas, securing and developing human resources is an important issue. Therefore, technical cooperation and the dispatch of volunteers (Japan Overseas Cooperation Volunteers (JOCV) and Senior Volunteers (SV)) arranged through JICA is used so that personnel from SMEs can experience international cooperation activities in developing countries. Additionally, the acceptance of technical trainees and the dispatch of experts in collaboration with superior human resources and technology from SMEs will be enhanced. It was also decided that from FY 2012, a private sector partnership volunteer system will be newly implemented utilizing JOCV and SV schemes as a way of developing human resources with a global outlook to work at SMEs. It is easier for people from SMEs to participate in this system compared to normal volunteer programs since prior arrangements are made with the SMEs regarding

their requested country of dispatch, type of work, desired length of stay, scheduling, etc.

METI has also started new efforts on an overseas internship program for dispatching young Japanese to developing countries. Additionally, in an effort to develop human resources in the relevant sector of the partner country, which is necessary for SMEs to expand their operations overseas, METI is providing assistance by transferring production management technology through programs for accepting human resources at management level and dispatching experts for the development of the management personnel that are needed at operational bases in these partner countries. METI also holds seminars to promote the superior technology of Japanese SMEs, as well as encourages interaction between partner-country companies and domestic SMEs.

4. Examples of Collaboration

JICA heard the voices of farmers in Hokkaido who wanted to globally expand their sales route for Japanese-made agricultural machinery, but were lacking in personal connections and information about other countries that could help them expand their business. Meanwhile, JICA received word from government officials and farmers in Ukraine who wanted to learn about better agricultural technology for the purpose of economic growth through agricultural development. Using ODA, JICA then invited government officials and farmers from Ukraine to Japan and conducted a training program on quality control techniques for wheat. Through this training, the Ukrainian side was able to learn about Japanese agricultural techniques, while at the same time, Japanese farmers and

agricultural machinery manufacturers succeeded at forming personal networking connections.

The “Feasibility Study for a Water Purification Project using Solar Power” is one of the commissioned Feasibility Study projects that were selected for supporting overseas expansion for SMEs using ODA. In rural areas of Kenya, where the electrical power infrastructure needed for purifying water is undeveloped, and where the use of piped water is not widespread, a study is conducted for a project that introduces and promotes the use of small distributed-type solar powered water purification systems. By supplying safe water with this system, sanitation improvement in Kenya and contribution to the expansion of Japanese SMEs in water-related businesses is expected.

To reduce poverty in developing countries, in addition to responding to Basic Human Needs (BHN), it is also important to achieve sustainable economic growth and stable employment. At international forums such as the G8 and G20, a wide consensus can be seen on the importance of developing socio-economic infrastructure that supports economic activities such as a transport network for products and raw materials and an electrical power supply, which is necessary to operate factories. The importance of revitalizing trade and investments through this development is also agreed upon. This vigorous demand in emerging and developing countries presents a large business opportunity for Japanese companies. Thus, the public and private sectors in Japan have been actively collaborating in an effort to expand infrastructure-related industry on an international level. The mobilization of private sector funds and technology to build infrastructure in developing countries also provides many benefits for the economy of those countries. The promotion of foreign direct investment will bring diverse results such as the creation of new industries, highly developed industries through technology transfer, and the promotion of

employment.

In terms of the Japanese economy, building infrastructure for developing countries will lead to the improvement of the investment environment for Japanese companies while incorporating the demands of growing overseas markets. In regions where expectations for investment opportunities for Japanese companies have increased, the Japanese government is cooperating for the development of transport networks including roads, bridges, railways, ports, and airports. Additionally, cooperation is conducted for the stable supply of electricity using Japan's superior technology for high-efficiency thermal power plants, for information and communication technology (ICT) for disaster risk reduction, etc. At the same time, cooperation for the development of legal systems and for building capacity in customs procedures is essential to improving the investment environment.

When there is trade between countries, the geographical distance between the countries is proportional to the incurred logistics costs. In general, the more distance there is between countries, the lesser the trade volume. However



Minister for Foreign Affairs Fumio Kishida meets with Secretary of Foreign Affairs Del Rosario in the Philippines where they agreed to cooperate for infrastructure development and for expanding trade and investment through development of the business environment.

improving transport infrastructure can decrease transport time and increase volume, thereby making more active trading possible. Since economic integration is fostered by increasing the distribution volume between physically separated economic zones, further revitalization of trade can be expected. This economic integration is also effective in reducing disparities within region.

Japan cooperates for developing infrastructures over a wide area around the world such as economic corridors* and is working toward achieving economic growth for developing countries through the revitalization of trade within the region. At the Japan-ASEAN Summit Meeting held in November 2011, Japan remarked on the necessity of using ODA to implement a list of flagship projects for enhancing regional connectivity, with the total project costs estimated at approximately ¥2 trillion. In addition, at the Fourth Tokyo International Conference on African Development (TICAD IV) Follow-up Meeting held in 2012, Japan pointed out the importance of infrastructure development to match the rapid growth in Africa, and announced that continued support will be provided, including development of the infrastructure to accelerate growth in Africa. In order to support the development of infrastructure in developing countries, Japan will continue to use ODA in various forms in the future.

To further build infrastructure in developing countries, partnering with the private sector is essential. To meet these new policy needs, existing systems are being improved and new systems are being introduced for Japan's ODA. In order to utilize the knowledge, experience, finances, and technologies of private companies while also supporting their expansion overseas,

JICA began a program in FY 2010 for accepting proposals from private companies for Preparatory Surveys on public-private partnership (PPP)* Infrastructure Projects, and then commissioning the execution of the surveys to the proposing companies. Thus far, 26 projects have been selected (as of December 2012) and many companies are working on the formation of infrastructure ODA projects.

The JICA Private-Sector Investment Finance* system provides financing and loans directly to private sector projects that contribute to growth in developing countries. This system was fully resumed in October 2012 after appraisals, etc. were conducted for projects, including infrastructure projects, using a pilot approach and the implementation system was verified. As the first project after full resumption of Private Sector Investment Finance, a loan contract was signed for the "Utility Management of Environment-Friendly Industrial Parks and Water Supply Project" in Long An Province, Viet Nam on January 30, 2013.

This project is targeted for industrial parks in Long An Province in the rapidly industrializing Viet Nam. Here, the technology and expertise of Japanese companies will be used to implement waste water treatment within the industrial parks and to provide services for the development, operation, and maintenance of electrical power supply facilities. This will be done to promote industrial parks that are also environmentally friendly. This project will serve as a model case for PPP, and it is expected that PPP will continue to advance in the field of infrastructure.

In addition to the full resumption of the Private Sector Investment Finance program as mentioned above, the



The Chruoy Changvar Bridge running through Phnom Penh is often called the "Japan Bridge" and was restored with Japan's ODA. (Photo: Koji Sato/JICA)



The growing city of Ho Chi Minh. Overlooking the Saigon East-West Highway and tunnel. (Photo: Hikaru Nagatake/JICA)



Construction site of the national road connecting the border of Afghanistan with the capital of Tajikistan. (Photo: Shinichi Kuno/JICA)



Repair work on a national road. Engineers from Japan and Ghana check progress at the site of bridge construction. (Photo: Akio Iizuka/JICA)

strategic use of ODA loans is also important as a part of strengthening public finance assistance. Efforts are being made to facilitate ODA loan procedures and to use these loans in a flexible manner for upper-middle-income countries and developing countries that exceed the income level of upper-middle-income countries.

Moreover, efforts are being made by METI in the area of technical cooperation to provide assistance in developing global human resources and for strengthening

networks in partner countries. This is done through training programs for company personnel in partner countries to increase their understanding of Japanese infrastructure technology. Additionally, human resources based in the partner country are developed to ensure the cost competitiveness that is essential for Japanese companies to accept orders for infrastructure projects, and young Japanese personnel are dispatched to infrastructure-related government agencies, etc.

* Glossary

Economic Corridor

Refers to the group of projects that include not only the development of physical infrastructure such as roads and bridges, but also the more intangible infrastructure aspects such as the simplification of customs clearance procedures. These projects are intended to extend the benefits of development to the growth of industry along the corridor and the improvement of the lives of the people. The aim is to revitalize the economy through an overall improvement of the distribution infrastructure to increase the transport volume between regions. Specific examples include the East-West Economic Corridor which connects the Mekong regions from Myanmar through Thailand and then to Laos and Viet Nam, as well as the Southern Economic Corridor, which extends from Bangkok, Thailand through Cambodia to Ho Chi Minh City, Viet Nam.

PPP (public-private partnership)

A new method of cooperation in which governmental ODA projects are conducted in collaboration with private investing projects. Input from private businesses is incorporated at the formation stage of the project. For example, basic infrastructure is developed with ODA, while investing and operations/maintenance is conducted by the private sector. In this manner, roles are divided between the public and private sectors. The technologies, knowledge, experience, and funds of the private sector are then used in an effort to implement projects that are more efficient and effective, as well as to improve development efficiency.

(Areas for PPP: Water and sewer systems, airport construction, motorways, railways, etc.)

JICA Private-Sector Investment Finance

For this ODA loan, JICA provides the loans or financing necessary for development projects that are implemented by Japanese private sector companies in developing countries. These projects lead to economic revitalization and create employment, but since there are various risks involved and large profits cannot be expected, sufficient funds cannot be obtained from private financial institutions. Through providing loans and financing by Private-Sector Investment Finance for these projects, assistance is conducted for growth in developing regions. Areas eligible for assistance are (i) MDGs and poverty reduction, (ii) infrastructure and rapid growth, and (iii) climate change countermeasures. While ODA loans are a part of economic assistance given to the governments of developing countries, Private-Sector Investment Finance contributes to development by providing support for activities that are conducted by Japanese private companies together with the private companies of developing countries.

Section 4 Mekong, India, and Africa – Regions with rich potential

Amidst the increasingly severe domestic business environment, there has been a rise in Japanese companies that are working to expand overseas in search of markets or to develop new projects. As a destination for this corporate business expansion, the importance of the Mekong region continues to increase. There is also the potential for further development of economic ties with India, with its large population and high level of economic growth. Some companies that are considering India as an export base have emerged, as opposed to focusing on its domestic market. Signs of growth are beginning to appear in some parts of Africa, which is not only a supplier of abundant natural resources, but also holds possibilities as a future market. In these countries and regions with rich potential, Japan intends to proactively provide assistance so that both the donor side and the recipient side may accelerate growth.

1. Mekong

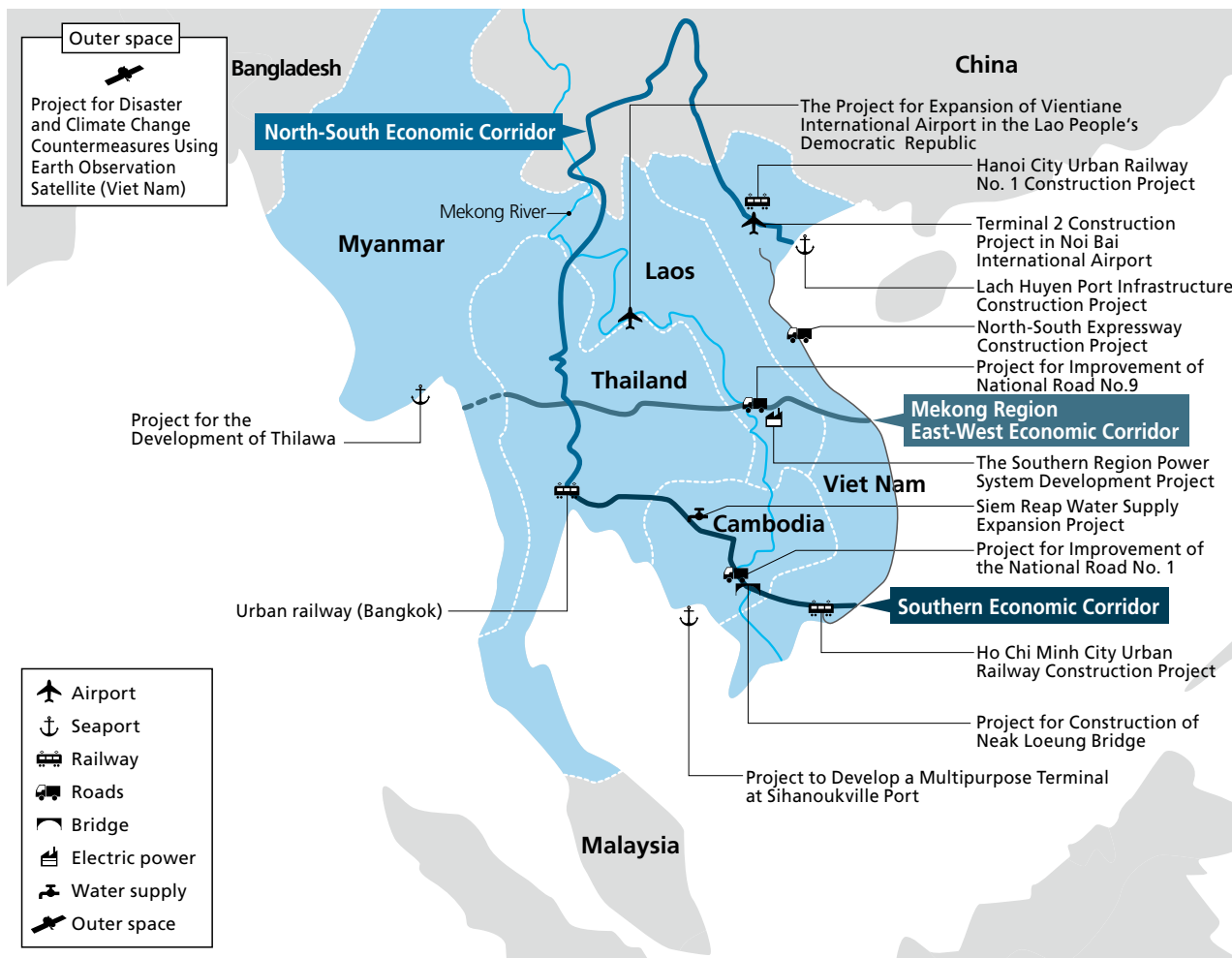
Many of the countries in the Mekong Region of the Mekong River Basin (Cambodia, Laos, Myanmar, Thailand, and Viet Nam) have experienced long periods of war and conflict. Even after the war in Viet Nam that lasted for more than 30 years until 1975, tragic massacres under the rule of Pol Pot continued in Cambodia. Finally, with the Cambodian peace agreement in 1991, peace was established over the entire region, albeit a mere 20 years ago. During this time, the Japanese government consistently contributed to stability and development in the Mekong region, treating it as a pillar of Asian diplomacy. The countries in the Mekong region have all traditionally been pro-Japanese and possess a wealth of natural resources and workforces. Japanese companies have a particularly high level of interest in the region. Unlike other ASEAN countries, Mekong region countries are landlocked with adjacent national borders. There are vast inland areas that remain undeveloped. In other words, intra-regional cooperation for development in areas, such as infrastructure development and resource development, is indispensable. Based on this point, the Japanese government is cooperating for the development of infrastructure and industry in the Mekong region, while grasping the specific needs of the industry active in the region. In addition, Japan is also proactively working to assist intra-regional cooperation for regional development.

Japan has a close relationship with countries in the Mekong region. The Mekong-Japan Foreign Ministers' Meeting has been held every year since 2008 and the Mekong-Japan Summit Meeting has been held annually from 2009. At the Fourth Mekong-Japan Summit Meeting held in Tokyo in April 2012, the Tokyo Strategy 2012 was adopted to put forward a new vision for Mekong-Japan cooperation with the target year of 2015. Within this strategy, new pillars for cooperation were established and

include “enhancing Mekong connectivity” (support for intra-connectivity), “developing together” (facilitation of investment and trade), and “ensuring human security and environmental sustainability” (support for disaster risk reduction, maternal and child health, etc.). In addition, as a tangible means of achieving these goals, Japan pledged approximately ¥600 billion in ODA for a period of three years after FY 2013 and presented a list of 57 flagship infrastructure projects for each country with an estimated total worth of about ¥2.3 trillion. These include the following projects: improvement of National Road No. 9 as East-West Economic Corridor of the Mekong region; developing Southern Region Power Systems Development Project in Laos; the Project for Constructing the Neak Loeung Bridge in Cambodia (South Economic Corridor of the Mekong region); and a project for developing Thilawa special economic zone in Myanmar. Furthermore, the “Mekong-Japan Action Plan for Realization of the Tokyo Strategy 2012” was adopted at the Fifth Mekong-Japan Foreign Ministers' Meeting held in Phnom Penh, Cambodia in July 2012.

With the increase in infrastructure construction and operations conducted through public-private partnership, projects using ODA are also being conducted based on proposals from Japanese companies and with the prerequisite of using ODA loans for project implementation. Specifically, these projects include the implementation of the Lach Huyen Port Infrastructure Construction Project, and the Utility Management of Environment-Friendly Industrial Parks and Water Supply Project” in Long An Province using Private Sector Investment Finance, both in Viet Nam. Surveys are also being conducted towards project formation for the Long Thanh International Airport Construction in Viet Nam.

Cooperation using Japanese ODA in the Mekong Region (primary infrastructure)



Cambodia Capital: Phnom Penh Population: 14.3 million Per capita GDP: \$900	Thailand Capital: Bangkok Population: 69.52 million Per capita GDP: \$4,971	Viet Nam Capital: Hanoi Population: 87.84 million Per capita GDP: \$1,412	Myanmar Capital: Naypyidaw Population: 62.42 million Per capita GDP: \$804	Laos Capital: Vientiane Population: 6.29 million Per capita GDP: \$1,320
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Source: World Bank Statistics (2011 values). Statistics for Myanmar only from IMF statistics. (2011 estimated values)



Project to Improve National Road No. 1 in Cambodia
Children can commute to school safely on walkways where repairs have been completed. This type of road continues all the way to Neak Loeung.
(Photo: Satoshi Takahashi/JICA)



Project for Construction of Neak Loeung Bridge in Cambodia
Vietnamese engineers survey the planned site for construction of the Neak Loeung Bridge. (Photo: Koji Sato/JICA)

2. India

The number of Japanese companies hoping to expand into India continues to rise. As the domestic market shrinks due to the effects of an aging population and low birth rate, there are many companies that perceive India as the next largest market after China. Coupled with the high rate of economic growth in recent years (8.5% growth rate for average Gross Domestic Product (GDP) from 2006 to 2011), as of October 2102, the number of Japanese companies that have expanded into India has risen to 926. The amount of trade between Japan and India also went from ¥495.8 billion in 2002 to ¥1.4253 trillion in 2011. Direct investments increased greatly from ¥18.7 billion in 2002 to ¥221.5 billion (provisional value) in 2012.

The Indian government has also become more open to accepting foreign capital by easing restrictions, etc., and many Japanese companies are focusing their attention on the country and its high potential for growth. According to a survey conducted by the Japan Bank for International Cooperation (JBIC) for Japanese companies in FY2011, India beat China as the most promising country for business expansion in the long term.

The Comprehensive Economic Partnership Agreement (CEPA) that came into effect in August 2011 has also provided a positive boost. Under this agreement, both countries will remove tariffs on approximately 94% of the trade volume over the next 10 years, and a large increase in bilateral trade is expected. Japanese companies that see India as an export base have also increased, positioning the country as a global base for exports to Europe and Africa.

However, corporate expansion is not without its problems. As a country in which companies are looking to invest, India's biggest problem lies in costs related to

undeveloped infrastructure. In the area of distribution, for example, since passengers are given priority for rail transport, the train schedule is easily disrupted. In addition, transport fares for freight are set higher than fares for passenger travel, and since trunk roads are undeveloped, there are frequent delays and damage to the freight. In response to this, Japanese technology is used to provide assistance through an ODA loan for the Dedicated Freight Corridor Project between Delhi and Mumbai (West Corridor). With this, the freight transport demand that is predicted for the future can be accommodated, and the distribution network will become streamlined. Since many Japanese companies are based in the area surrounding the West Corridor including Delhi and Mumbai, problems with the transport infrastructure that hinder the operations of these companies will be improved.

In India, there is also a serious problem with frequent power outages and a constant shortage of electrical power, making power generating equipment essential for factories. In response to this situation, Japan has provided assistance for the Tamil Nadu Transmission System Improvement Project. Through this, power will be supplied in a stable manner in all areas of the state, including the Chennai area. Consequently, the living environment within the state will be improved, as will the business environment for Japanese companies who have moved into the area, thus encouraging investments. Furthermore, assistance is also being provided in the formulation of a master plan for the overall development in sectors such as transport and electrical power for southern India, where there is a marked presence of Japanese companies.

3. Africa

The average rate of economic growth in Africa has exceeded 5% since 2000. In the 10 years since 2001, the nominal GDP has increased 2.8-fold (\$1.62 trillion) and the trade volume has increased 3.6-fold (\$970 billion). The amount of foreign direct investment in Africa has increased 5-fold (\$55 billion) in the last 10 years, and in 2007, the amount of foreign direct investment in Africa surpassed that of ODA given to Africa. Africa is capturing global attention as a new economic frontier after Asia.

Major factors for strong economic growth in Africa are their abundant natural resources and high rate of population growth. Mineral resources including platinum group metals (95% of global reserves), diamonds (59%), cobalt (49%), and chrome (42%) are concentrated in

Africa, where four of the top 20 countries for oil reserves and three of the top 20 countries for natural gas reserves are also located. The improvement of infrastructure that will be advantageous to robust and sustainable economic growth and the development of these natural resources is a pressing issue for Africa. In order to connect major port cities, inland cities, and regions producing resources, infrastructure development plans including corridor plans (North-South Corridor, Nacala Corridor, etc.) for improving road, rail, port, and cross-border facilities are currently underway on national, regional, and continental levels (according to World Bank, the estimated infrastructure demand in Africa is \$93 billion annually).

The average population growth rate in Africa is 2.3%,

which is the highest among all the continents, and it is predicted that the population will increase by 300 million people every 10 years (The total population in 2010 was approximately 1 billion people). The Gross National Income (GNI) per capita for Africa in 2010 was \$1,570, or 1.2 times that of India, which has a similar population, showing the magnitude of Africa's potential as a future consumer market. Currently, movement towards economic integration is advancing in Africa with the goals of establishing Free Trade Areas (FTA) at a continental level by 2017 and a regional level by 2014.

Africa also faces a number of social challenges (poverty reduction, provision of basic social services, etc.). Aiming to overcome them while also establishing business, BOP businesses* are wide-spreading in Africa. As a means for supporting Japanese BOP businesses in Africa, JETRO provides individual consulting services for partner matching and surveys on local needs and markets. JICA also provides assistance for preparatory surveys and

investment and loans for relevant operations for promoting a business model that will contribute to resolving development issues at the BOP level.

At TICAD V to be held in Yokohama in June 2013, specific measures will be discussed for encouraging involvement of the private sector in infrastructure development under public-private partnership (PPP) in order to promote robust and sustainable economy, while aiming for quality growth. Considering the present situation in which Africa is attracting global attention because of its economic potential and business opportunities as the next economic frontier after Asia and the expectations of various African nations for increased investments by Japanese companies, the Japanese government, as a national initiative, will support for creating a business-friendly investment environment in Africa and will implement various policies so that TICAD V may become an important opportunity for Japanese companies to expand their business in Africa.



Parliamentary Senior Vice-Minister for Foreign Affairs Masaji Matsuyama tours the Ethiopia Water Technology Center. Japan has been providing technical guidance for the center for many years. (Photo: Embassy of Japan in Ethiopia)

* Glossary

BOP (Base of Pyramid) business

Refers to businesses that are expected to be useful in resolving social issues for low-income groups* in developing countries. Accounting for approximately 70% of the world's population, or about 4 billion people, low-income groups are attracting attention as a market with potential for growth. This type of business targets low-income groups as consumers, producers, and sellers, which is expected to be useful in providing sustainable solutions to a variety of local societal problems.

Examples: Hygiene products such as detergent and shampoo, water purifying agents, nutritional products, insecticide-treated mosquito netting, solar power panels, etc.

* Low-income bracket: The income bracket with an annual income per capita of \$3,000 or less in purchasing power parity. Purchasing power parity is determined by removing differences between price levels to make purchasing power between different currencies equivalent.