FOCUS
Towards a Vibrant Africa
Boosting Economic Growth, Ensuring Human Security and Addressing Environmental Issues

PARTNERS
Two Views, One Objective:
Applying What Japan Does Best, for Africa’s Future
Support for Microfinance Services; Support for Programs Using Private-Sector Dynamism
“Towards a Vibrant Africa: Continent of Hope and Opportunity” is the theme of the Fourth Tokyo International Conference on African Development (TICAD IV), which will be held in Yokohama, Japan in May 2008.

Severe poverty accompanied by conflict and starvation afflict parts of Africa, especially parts of Sub-Saharan Africa that have been left out of global development trends. Over the last few years, however, conflict and political instability have generally diminished there, and the result has been annual GDP growth rates of more than 5% in 23 of 53 African countries (annual average estimated rates, 2005-2007). Visions of regional integration are inspiring efforts to achieve sustainable economic growth.

In hosting TICAD IV, Japan will be promoting three goals: (1) boosting economic growth; (2) ensuring human security; and (3) addressing environmental and climate change issues. These goals are being furthered by an evolution of African “ownership” (self-reliant efforts) and broadening of “partnership” with the international community. Amid growing global interest in Africa, Japan’s support for Africa not only represents a contribution to the international community but is also linked with Japan’s national interest in terms of securing stable supplies of natural resources and food.

The role of Japan’s Official Development Assistance (ODA) is attracting growing attention in 2008, especially as the day approaches for the next G8 Summit in Toyako, Hokkaido. This issue of JBIC Today focuses on the ODA support being offered by the Japan Bank for International Cooperation (JBIC) “Towards a Vibrant Africa.”

### Japan’s ODA Loan Commitments to African Countries, 2000-2007

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Northern Africa</th>
<th>Sub-Saharan Africa</th>
<th>Total, Africa</th>
</tr>
</thead>
<tbody>
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<td>2000</td>
<td>27.0(4)</td>
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<td>2001</td>
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<td>2002</td>
<td>11.8(2)</td>
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<td>11.8(2)</td>
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<td>2003</td>
<td>35.5(4)</td>
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<tr>
<td>2004</td>
<td>5.7(1)</td>
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<td>2005</td>
<td>49.7(7)</td>
<td>1.0(1)</td>
<td>50.7(8)</td>
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<tr>
<td>2006</td>
<td>74.3(9)</td>
<td>39.4(6)</td>
<td>113.7(15)</td>
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<tr>
<td>2007*</td>
<td>0(0)</td>
<td>32.2(3)</td>
<td>32.2(3)</td>
</tr>
<tr>
<td>Total</td>
<td>274.3(113)</td>
<td>776.9(144)*</td>
<td>1,050.2(257)*</td>
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*Units: Billion yen, (number of loans)
*Includes a Private Sector Assistance Loan to the African Development Bank.

<table>
<thead>
<tr>
<th>Countries with annual average GDP growth rates of more than 5% (estimates, 2005-2007)</th>
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<tr>
<td>Algeria</td>
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<tr>
<td>Tunisia</td>
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<td>Libya</td>
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<td>Egypt</td>
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<td>Sudan</td>
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<td>Ethiopia</td>
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<td>Somalia</td>
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<td>Kenya</td>
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<tr>
<td>Tanzania</td>
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<td>DR Congo</td>
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<td>Angola</td>
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<td>Namibia</td>
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<td>Botswana</td>
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<td>Zambia</td>
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<td>Zimbabwe</td>
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<td>Swaziland</td>
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<td>Mozambique</td>
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<td>South Africa</td>
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<tr>
<td>Congo</td>
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<td>Equatorial Guinea</td>
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<td>Gabon</td>
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<td>Uganda</td>
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<td>Malawi</td>
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<td>Morocco</td>
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<td>Mauritania</td>
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<td>Mali</td>
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<td>Nigeria</td>
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<td>Cameroon</td>
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<td>Chad</td>
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<td>Central African Republic</td>
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<td>Benin</td>
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<td>Togo</td>
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<td>Senegal</td>
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<td>Guinea-Bissau</td>
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<td>Côte d’Ivoire</td>
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<td>Burkina Faso</td>
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<td>Sierra Leone</td>
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<tr>
<td>Lesotho</td>
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<tr>
<td>Madagascar</td>
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</tbody>
</table>

*Source: African Economic Outlook, AfDB & OECD, 2007
(The map does not show all country names.)
1. Japan’s Recent Initiatives for Africa

Africa on the Move
Economic growth was substantial in many parts of Asia in the 1980s and 1990s, but Africa appeared to miss out in the drive toward prosperity during the same period. But today, there are now signs of steady growth in many parts of Africa, as the continent takes on greater dynamism.

JBIC has participated in this growing dynamism. In eastern Africa, its ODA loan projects include improvements to the trunk road linking Tanzania and Kenya, development of Mombasa Port in Kenya, and construction of a power transmission line in Uganda. In western and southern Africa, JBIC is now considering the possibility of supporting new projects aimed at developing regional infrastructure for self-sufficiency and sustainable growth. These include candidate projects, such as a bridge over the Senegal-Mauritania border and development of the Nacala economic corridor linking Mozambique, Malawi and Zambia.

Tackling Economic Stagnation in Africa
The Sahara Desert divides the 53 countries on the continent roughly into two geographical zones, northern Africa and Sub-Saharan Africa. The number of people living in Africa is approximately 900 million, which is 14% of the world’s population, but they account for only about 2% of global GDP. Severe poverty exists in many of the 48 Sub-Saharan countries.

Economic stagnation in Sub-Saharan Africa until the 1990s had a number of causes, such as: (1) continual conflict spurred by the diversity of racial groups and religions within individual countries; (2) insufficient capacity to implement effective national policies; (3) lack of adequate systems to support the establishment of socioeconomic infrastructure and market economies, which form the foundation for development; (4) excessive dependence on agricultural products, which are easily affected by climate and price fluctuations; and (5) low levels of education. These factors prevented large areas of Africa from maintaining strong economic growth patterns.

In 1988, the international community began the gradual implementation of debt-reduction measures for some Sub-Saharan countries, and in 1999 the Enhanced HIPC (Heavily Indebted Poor Countries) Initiative Framework led to extensive debt relief for many of them.

Since 1973, Japan has provided ODA loans to African countries, to support structural adjustments and other developmental measures. In 1999, it began debt relief (in the amount of about 250 billion yen) for 14 HIPCs in Africa. As a result, Japan started to undertake more careful consideration before providing new ODA loans to HIPCs that have applied for debt-reduction measures. Most of Japanese ODA loans have subsequently been for countries in northern Africa, with a small number going to Sub-Saharan countries, most notably Kenya and Swaziland.

International Support for Africa
To help reverse serious economic stagnation in Africa, Japan proposed the establishment of the Tokyo International Conference on African Development (TICAD) as a forum for high-level policy dialogue. The first TICAD was held in Tokyo in 1993, co-hosted by Japan and organizations such as the United Nations and the World Bank. TICAD stresses the importance of an evolution of African “ownership” and broadening of “partnership” with the international community. Japan hosts the summit-level conferences every five years, and the fourth conference, TICAD IV, will be held in Yokohama in May 2008.

The 2001 general assembly of the Organization of African Unity (now known as the African Union) adopted a strategic framework document entitled New Partnership for Africa’s Development (NEPAD). This purely African development initiative launched efforts targeting poverty eradication, sustainable economic growth and development, and integration into the global economy.

The international community strongly supports development in Africa, in order to achieve the United Nations’ Millennium Development Goals (MDGs). The G8 Summit in Kananaskis adopted the G8 Africa Action Plan, which is a framework for supporting NEPAD. Since then, support for Africa has remained a top global issue.

At the G8 Summit in Gleneagles in 2005, Japan

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ODA Loan Projects in Sub-Saharan Africa, 2000-2007

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Country</th>
<th>Project name</th>
<th>L/A signing</th>
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<tbody>
<tr>
<td>2000</td>
<td>Swaziland</td>
<td>Northern Main Road Construction Project</td>
<td>Feb. 2001</td>
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<tr>
<td>2005</td>
<td>Senegal</td>
<td>Road Improvement and Transport Facilitation Program on the Southbound Bamako-Dakar Corridor</td>
<td>Mar. 2006</td>
</tr>
<tr>
<td>2005</td>
<td>Tanzania</td>
<td>Fourth Poverty Reduction Support Credit</td>
<td>Mar. 2007</td>
</tr>
<tr>
<td>2006</td>
<td>Tanzania</td>
<td>Anusha-Namanga-Atl River Road Development Project</td>
<td>Mar. 2007</td>
</tr>
<tr>
<td>2007</td>
<td>Mozambique</td>
<td>Montepuez-Lichinga Road Project</td>
<td>Dec. 2007</td>
</tr>
<tr>
<td>2007</td>
<td>Tanzania</td>
<td>Fifth Poverty Reduction Support Credit</td>
<td>Nov. 2007</td>
</tr>
<tr>
<td>2008</td>
<td>Uganda</td>
<td>Bujagali Interconnection Project</td>
<td>Oct. 2007</td>
</tr>
<tr>
<td>2008</td>
<td>Kenya</td>
<td>Sondu-Miriu Hydropower Project II</td>
<td>Nov. 2007</td>
</tr>
</tbody>
</table>

* Japanese ODA loan programs were expanded after the Enhanced Private Sector Assistance (EPSA) for Africa initiative (see page 5) was launched in 2005. Note: Includes a Private Sector Assistance Loan to the African Development Bank.
announced that it would increase the aggregate volume of its ODA projects to US$10 billion over the subsequent five years, and double its ODA to Africa within three years. In fiscal year 2005, JBIC resumed its ODA loans for Sub-Saharan countries that had undergone debt cancellation.

**Responding to the Needs of a Changing Africa**

Bolstered by a variety of international support programs, many Sub-Saharan countries have enjoyed political stability since the mid-1990s, and have reformed their governance systems and promoted prudent economic management policies. These improvements placed economies that had stagnated for two decades on track to solid growth — about half of all Sub-Saharan countries have recently posted annual economic growth rate of more than 5%.

However, many of these countries depend on exports of commodities subject to rapid global price increases, such as crude oil and mineral resources. If they are to ensure sustainable economic growth that filters down to their people, certain major issues must be met, especially improvements in socioeconomic infrastructure and the investment climate and fostering private-sector development. Countries such as Kenya, Tanzania and Ghana are steadily developing economically, and the African Union’s NEPAD initiative aims for new growth through regional integration and cross-border cooperation.

It is expected that Japan’s experience with promoting infrastructure development in Asia can be put to very good use in Africa. Japanese ODA loans serve as an excellent tool for extending such contributions from Japan. In preparation for establishment of the new Japan International Cooperation Agency (JICA), which will become responsible for implementation of the three major types of Japan’s ODA (loans, technical assistance and grant aid) starting in October 2008, JBIC is now in the process of linking technical assistance and grant aid programs to its ODA loans, taking a wide-range approach to various development issues, including knowledge-based assistance.

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**Policy Recommendations for Greater Project Effectiveness**

**Yuzuru Ozeki**

Resident Expert for Poverty Reduction Support Credit (PRSC) in Tanzania

Poverty Reduction Support Credit (PRSC) is a form of financial assistance for supporting the general budget, and today it makes up almost half of all assistance financing for Tanzania. The PRSC initiative is therefore practically as influential as assistance for specific development projects. Fourteen donors now participate in the PRSC framework, including JBIC, World Bank, and Germany’s KfW Bankengruppe. Japan collaborates with all of these donors, not only through general budget support (GBS) but by conducting policy dialogues focused on infrastructure development, private-sector development and fiscal reform.

At the GBS annual review meeting held in fiscal year 2007, Japan collaborated with the government of Tanzania and EU by co-chairing the cluster working group on “Growth and Reduction of Income Poverty.” Japan took the lead in discussions on formulating growth strategies that will become the basis for infrastructure development plans, and on performance evaluation of reforms that have a direct impact on the volume of donor countries’ assistance in the following fiscal year.

Improvements in the policymaking environment can have a synergetic effect that boosts the effectiveness and viability of assistance for specific development projects. For example, if a road is constructed but not properly maintained it will fall into disrepair, reducing the effectiveness of the original development investment. This issue was raised in policy discussions held within the PRSC framework, and led to increases in fuel taxes and tolls to ensure sufficient funds for road maintenance costs. This will improve the effectiveness of development investments in the road transportation sector. Other policy discussions have, for example, linked electric power policies with investment planning, and here, too, we can expect that this will result in effective reforms in the electric power sector.

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**KEY WORDS**

**Heavily Indebted Poor Countries (HIPC)**

HIPC are developing countries identified by the World Bank and the International Monetary Fund (IMF) as being the poorest and most heavily indebted in the world. Under the HIPC initiative, which has received international endorsement, HIPC’s may have their public debt cancelled to a sustainable level if they are deemed to have reached the stage where they can no longer sustain their debt load, yet have abided by certain standards.

**G8 Africa Action Plan**

In 2001, the organization now known as the African Union proposed the NEPAD initiative, and in the following year, G8 partners at the Kananaskis Summit pledged to work together or individually to support NEPAD and strengthen their support for countries in Africa. These commitments became part of the Africa Action Plan and have been reaffirmed at subsequent G8 Summits.
2. Japan’s Support for Africa: Working Together for Future Growth

Priority Areas for ODA Loans
In 2005, the Japanese government announced the Enhanced Private Sector Assistance (EPSA) for Africa initiative, a joint effort with the African Development Bank (AfDB) to promote Africa’s sustainable economic growth through private-sector development. Through JBIC, the Japanese government is providing ODA loans of up to US$1 billion over five years. There are two loan arrangements available: loans cofinanced with the AfDB for governments to promote infrastructure development projects, and loans offered through the AfDB for the private sector, to foster micro, small and medium-sized enterprises and promote private-sector projects.

Since 2005, JBIC has provided new ODA loans valued at a total of more than 70 billion yen for countries deemed eligible, meeting criteria such as debt sustainability. (The countries include Kenya, Tanzania, Uganda, Mozambique and Senegal.) The financing schemes offer favorable loan conditions for low-income countries (minimal interest rates of 0.01%, and a repayment period of 40 years). Priority areas for assistance include development of transnational socioeconomic infrastructure benefiting wide areas, promotion of the private sector, and development of the agricultural sector.

ODA loan strategies for Sub-Saharan Africa

JBIC has gained much experience promoting development in Asia, and is concentrating its energies on application of this experience in Africa, working in cooperation with JICA and other international organizations to conduct research, make development proposals and offer other forms of knowledge-based assistance. For example, the JBIC Institute is conducting a joint research with the World Bank and other institutions, examining policies that will promote development aims such as industrial concentration and greater competitiveness for African enterprises.

Examples of JBIC Assistance in Africa

Regional Infrastructural Development

Economic Corridors and Electric Transmission Networks
In Sub-Saharan Africa, JBIC supports development of regional infrastructure, such as roads and transnational bridges on economic corridors and power transmission networks, as its priority area for assistance.

Since 2005, JBIC has provided ODA loans for road improvements in Senegal, Namibia, Tanzania and Mozambique. It has also conducted studies on economic corridor planning and the role infrastructure can play in regional development. In 2007, JBIC invited government officials from Mozambique and

Enhanced Private Sector Assistance (EPSA) for Africa
Announced in June 2005, the African Year, the joint initiative with the AfDB began accelerating ODA loans.

Millennium Development Goals (MDGs)
The MDGs and the United Nations Millennium Declaration were adopted at the UN Millennium Summit in September 2000. The following year, they were compiled as development targets for the international community in the 21st century. The MDGs set specific quantifiable targets to be achieved by 2015 in eight thematic areas, including eradication of extreme poverty and hunger, achievement of universal primary education, improvements in healthcare and medical treatment, and environmental sustainability.
Towards a Vibrant Africa — Boosting Economic Growth, Ensuring Human Security and Addressing Environmental Issues

Tunisia to the East-West Economic Corridor Forum in Vietnam (see article on page 7). JBIC plans to continue using the experience it gained supporting the development of international economic corridors in Asia, to promote regional industrial development in Africa and stronger South-South cooperation. JBIC will consider the possibility of supporting future projects, including the Nacala economic corridor, bridges over the Botswana-Zambia and Senegal-Mauritania borders, and a road linking Cameroon and Nigeria.

JBIC is also providing ODA loans for two large energy projects: hydroelectric facilities in Kenya, and a power transmission network in Uganda.

Mombasa Port Development in Kenya, the Key to Economic Development in East Africa
In November 2007, JBIC signed a Japanese ODA loan agreement totaling up to around 26.7 billion yen for the Mombasa Port Development Project. The project involves the construction of a new container terminal, cargo-handling cranes and an access road. The new port facilities are expected to contribute to economic development by serving as a more effective distribution hub for East Africa, as far away as Uganda, Burundi and Rwanda. For the first time in Sub-Saharan Africa, Special Terms for Economic Partnership (STEP) will be applied to the project, promoting the use and transfer of technologies of Japanese corporations.

Private Sector Development
In February 2007, JBIC signed a loan agreement with the AfDB to provide financing for the private sector totaling up to 11.5 billion yen. This is the first loan JBIC has provided to the African private sector through AfDB. The loan will foster local micro, small and medium-sized enterprises, as well as private financial institutions, thereby enhancing private-sector-driven economic growth and poverty reduction.

During fiscal year 2007, JBIC conducted a study on microfinance, focusing especially on Ethiopia, Senegal and Ghana. It plans to use the results of this study to explore the potential of further assistance through the EPSA for Africa initiative.

JBIC is also supporting the development of renewable sources of energy, as well as afforestation projects to protect the global environment.

In 2005, JBIC provided an ODA loan of about 1.7 billion yen for the Photovoltaic Rural Electrification and Water Supply Project in Tunisia. The project includes the installation of solar panels, water pumps and desalination equipment, to generate power for farming villages previously without electricity, and to purify highly saline underground water.

**Major Economic Corridors and Support from Japanese ODA Loans**

Projects receiving UUA loan support

1. Mediterranean Road Construction Project ¥12.746 million, September 2001
2. Road Improvement and Transport Facilitation Program on the Southbound Ramada–Dakar Corridor ¥950 million, March 2006
3. Runda-Elundo Road Upgrading Project ¥10.091 million, August 2006

**KEY WORDS**

- Minimal Interest Rate Condition (MIRAI)
  - Since fiscal year 2006, preferential terms — a 0.01% interest rate and a 40-year amortization period (including a 10-year grace period) — are being offered to low-income least developed countries (LDC). The word “MIRAI” means “future” in Japanese.

- Special Terms for Economic Partnership (STEP)
  - This type of loan facilitates the transfer of advanced Japanese technologies and know-how to developing countries through procurement from Japan, together with preferential interest rates and amortization/grace periods.
In addition, JBIC is supporting studies to formulate projects in Tanzania, Kenya and Uganda designed to utilize the abundant geothermal resources there for power generation and rural electrification.

**Combating HIV/AIDS**

About 30% of people with HIV worldwide live in southern Africa, a tragedy in itself and a major problem for foreign companies operating there. Those companies need to promote anti-AIDS measures for their employees. During fiscal year 2007 JBIC conducted a study on HIV/AIDS countermeasures for Japanese firms there. JBIC plans to use seminars as a springboard for proposing countermeasures to companies and governments, and in this way will contribute to public-private efforts to combat the disease.

In Senegal, Namibia, Tanzania and Mozambique, a portion of Japanese ODA loans for road construction projects will be allocated for planning and implementing HIV/AIDS prevention campaigns for project workers and local communities.

**Public-Private Partnership (catalyzing private investment)**

In October 2007, JBIC signed an ODA loan agreement with the government of Uganda, to finance the Bujagali Interconnection Project. The loan totaling up to about 3.5 billion yen and cofinanced with the AfDB, is for the construction and expansion of power transmission lines and substations connected to the Bujagali Hydropower Station, one of the largest Public-Private Partnership (PPP) power projects in Africa. The project is expected to diminish power outages, which Uganda now faces on a daily basis.

**Assistance for Poverty Reduction through Economic Growth**

In September 2007, JBIC signed a loan agreement with the government of Tanzania, in the form of parallel cofinancing with the World Bank for a Fifth Poverty Reduction Support Credit loan of up to 2 billion yen. The loan will finance the government’s general budget to support the poverty reduction strategy in Tanzania.

Together with this financial assistance, JBIC has sent an expert to Tanzania to offer advice on macroeconomic and infrastructure development policies. The JBIC expert is acting as the co-chair of the “Growth and Reduction of Income Poverty” cluster under the General Budget Support framework, working together with members of the Tanzanian government and donors to analyze and make proposals on growth and poverty reduction. JBIC will continue to support both infrastructure development and policy recommendations, which are crucial and supplementary components to enhance the effectiveness of development aid.
Towards a Vibrant Africa

Towards a Vibrant Africa: Continent of Hope and Opportunity” is the theme of the Fourth Tokyo International Conference on African Development (TICAD IV), to be held in Yokohama, Japan in May 2008. The main conference priorities will be: (1) boosting economic growth; (2) ensuring human security; and (3) addressing environmental/climate change issues. The theme and priorities take into account recent political and economic advances in African countries.

Working from the perspective that the poor should become an integral part of contemporary economic growth, TICAD IV will examine such issues as: (1) promotion of regional economic community based on the African Union’s NEPAD initiative; (2) more effective donor partnerships; (3) learning from the development experience of Asia, and Africa-Asia cooperation; and (4) support for intra-Africa cooperation. Major topics to be addressed during the conference include: (1) human resource development; (2) enhanced community capacity; (3) improved governance and the rule of law; and (4) partnerships bringing together the private sector, foundations and civil society.

African issues will also be an important agenda at the G8 Summit to be held in Toyako, Hokkaido, Japan in July 2008.

African Assistance in Japanese Style

The world’s eyes are turning to Africa. Since the turn of the century, China and other new donor countries have expanded their assistance and development investment for Africa, adding to the efforts of Western industrialized nations, partly as a strategy to obtain natural resources and energy.

Recognizing the significance of these global assistance trends, the Japanese government intends to further improve the quality and quantity of its ODA loans to Africa. JBIC, in close collaboration with JICA, is seeking optimum support measures for Africa. In preparation for the establishment of the new JICA in October 2008, JBIC and JICA jointly organized study sessions in May 2007, asking Japanese academics and specialists to examine Japan’s experience in promoting development in Asia, in order to see how this experience can be applied to Africa, and to propose realistic development assistance mechanisms that would take advantage of what Japan does best.

Africa faces development challenges included in the UN MDGs, especially the need to eradicate poverty, achieve universal primary education, improve health and sanitation, raise the status of women, and ensure environmental sustainability. These issues cannot be resolved without the socioeconomic infrastructure that enables sustainable economic growth. JBIC will continue to prioritize development of the agriculture sector and promotion of the private sector, while also supporting infrastructure development for economic corridors, electric power generation and transmission, and irrigation and other facilities that will promote regional cooperation and development in Africa.

Presently, only about 2.5% of all foreign investment in Africa comes from Japan, and only about 7% of Africa’s international trade is with Japan. Africa, however, will undoubtedly grow in importance as a destination for Japanese investment, and to prepare for that day and to create greater recognition among Africans of Japan’s presence, JBIC intends to boost its support for Africa through ODA loans.

The Upcoming TICAD IV and Toyako G8 Summit

Africa on the Move: Further Development of the Private Sector

Since the launch of the EPSA for Africa initiative in 2006, I have worked in the Private Sector Department of the AfDB, taking care of the administration of EPSA programs. Many parts of Africa have enjoyed favorable economic growth over the last few years, and Japan, the AfDB and other established donors have been joined by new donors from newly emerging economies. These trends have made me fully aware of the growing dynamism of Africa’s private sector, whether in infrastructure development, natural resource development, assistance for small and medium enterprises, or microfinance services.

JBIC and AfDB have participated in these developments, cofinancing four infrastructure projects since fiscal year 2006 and providing two-step loans for the private sector. JBIC and AfDB jointly provided an ODA loan for an international road project linking Tanzania and Kenya, with JICA coordinating support for the management of customs facilities at the border. JBIC and AfDB have been joined by other donors to cofinance a road construction project in Mozambique. In such ways, cooperation with other donors is being promoted within the EPSA framework, leading to more efficient and effective aid in order to spur greater development of Africa’s private sector.

During 2008, Japan will host both the TICAD IV in Yokohama and the G8 Summit in Toyako, Hokkaido. This makes Japan well placed this year to lead the international community in promoting African development. I hope to work even harder to strengthen AfDB’s partnership with JBIC and its ODA loan programs, making sure that the cofinanced roads and energy projects are completed on schedule, and that they are managed effectively after completion. This is how I would like to contribute to Japan’s efforts to support the development of Africa’s private sector.
The Time Has Come for Africa and Japan to Come Closer and Cooperate

H.E. Elly Elikunda Elineema Mtango
Ambassador of Tanzania to Japan

Tanzanian Economy: Sustaining Robust Annual Growth of More Than 5%

Africa is entering the growth stage, awakening from a stagnation that lasted many years. Africa’s land is rich in natural resources and its countries, except a few, enjoy political stability. Indeed there is high potential for development in Africa.

The annual average growth of the Tanzanian economy has exceeded 5% in recent years. This is an achievement of market-oriented economic policy and reforms, including the improvement of the investment climate. If the country aims to accelerate growth in the years to come, it is imperative to promote foreign direct investment, capital inflows and technology transfers by private companies. Thus Tanzania is currently making continued efforts to improve the investment climate.

Tanzania has never had domestic civil conflict, and as a result, our human and natural resources have been protected. It should also be kept in mind that our country benefited from debt relief during the 1990s, which enabled the government to allocate more budgetary expenditure previously used for debt servicing to infrastructure development and education.

Tanzania’s primary industry is agriculture, and efforts are being made to increase productivity in this sector and foster the agricultural product processing industry, as it produces higher value-added products. It also has rich mineral resources, including gold, coal, iron and titanium. In addition, plans are underway for oil and natural gas development. Tourism is also a significant industry, with 6,000 Japanese tourists and trekkers visiting Mt. Kilimanjaro, Serengeti and other Safari parks every year.

The manufacturing industry is growing at an annual rate of 9%. The regional economic community including the neighboring countries has a population of 300 million. To facilitate more entry of private companies, a laws on Export Processing Zones and Special Economic Zones, where taxes are lower, were legislated in 2002 and 2005.

Seeking Support for Elimination of Bottlenecks and for Growth

The bottlenecks to Tanzania’s growth are inadequate development of infrastructure in such sectors as power and transport. As Tanzania shares borders with eight countries, its urgent agenda is development of the Arusha-Namanga-Athi River Road, which was financed by a Japanese ODA loan, and such key international trunk roads as the Mtwara Corridor, which connects the Mtwara Port with Malawi and Zambia, as well as port development.

We have been stepping up political and social exchange with Japan. For example, in 2006 President Kikwete made an official visit to Japan. While we have received much support from JBIC, including Poverty Reduction Support Credit (PRSC), we also hope to receive assistance for infrastructure development that aims to eliminate bottlenecks. In bio-energy development, our hope is to receive assistance from the formulation stage, for example in conducting project feasibility studies; not just limited to financing support.

In the private sector, small and medium-sized enterprise development is an important challenge for our country. Effective support in this case is a loan through a development finance institution that has substantial knowledge about local firms. It is of great significance to Tanzania that such support has been made possible by a Japanese ODA loan provided through the African Development Bank. It would be even better if there were a mechanism for directly supporting private firms through capital investment.

I give high credit to JBIC for the efficiency with which work is done. I also hope that there would be more flexible and speedy assistance, when part of JBIC is merged into the new JICA. By receiving assistance that combines grant aid and technical cooperation, we seek to address a broad agenda, for example, improvements in basic and secondary education, capacity improvement of teachers and adaptation to climate change.

At present, Panasonic, JT and Sumitomo Chemical are operating in Tanzania, and another Japanese company is conducting a study for an afforestation project. We have high expectations for increased direct investments from Japanese firms. I believe “assistance conducive to economic growth” will stimulate domestic demand and increase consumption, which will also lead to increased consumption of Japanese products, thereby bringing benefits to Japan.

I do hope that the Fourth Tokyo International Conference on African Development (TICAD IV) scheduled for May 2008 will serve as an opportunity for us to learn from Asia’s experience of economic growth as well as an opportunity for Japan and other Asian countries to turn their eyes toward Africa.

Finally, let me stress that “the time has come for Africa and Japan to come closer and cooperate.” It is my heartfelt aspiration that TICAD IV will help build win-win relations between Japan and Africa as well as deepen our bilateral ties with Japan and with JBIC.

Profile

Elly Elikunda Elineema Mtango
Graduated from the University of East Africa, and the London School of Economics and Political Science of the University of London. Served at Tanzania’s Ministry of Foreign Affairs and International Co-operation, and at a number of Tanzania’s embassies abroad, then as Ambassador to the United Nations Office in Geneva (1993-1994). He was Permanent Secretary at the Ministry of Information and Communications in Dar Es Salaam (1994-1995), then Permanent Secretary at the Ministry of Foreign Affairs and International Co-operation (1995-2000). He currently serves as Ambassador of Tanzania to Japan (since 2000), Republic of Korea, Republic of the Philippines, Australia, Papua New Guinea and New Zealand.
Two Views, One Objective: Applying What Japan
Support for Microfinance Services; Support for Programs Using Private-Sector Dynamism

JBIC obtains the cooperation of many organizations and individuals while contributing to African development and this helps it offer a wide range of ODA loan assistance options. As two recent examples, JBIC formed tie-ups with local NGOs to conduct preparation studies for microfinance projects in Ethiopia and other countries, and worked with one of its major partners, Nippon Keidanren (Japan Business Federation), to promote government-private-sector assistance measures.

Identifying Microfinance Projects
The private sector has become an important development theme in Sub-Saharan Africa. In the private sector, many entrepreneurs are part of the informal economy — in other words, they are not registered as enterprises, and pay no taxes. Studies have shown that in a typical country, informal businesses contribute to about 40% of the GNP, and provide employment to almost half of the working population. Reasons given for this include a business environment where laws, regulations and financial systems are rudimentary or do not function properly.

In African communities that lack an effective banking system, microfinance services are called upon to provide business capital and technical support to micro, small and medium-sized enterprises, as well as local farming operations. To help respond to this need, in February 2007, JBIC signed an ODA loan agreement with the AfDB, as part of the EPSA for Africa joint initiative. The loan, valued at up to 11.5 billion yen, provides development financing for Africa’s private sector, including microfinance services. In this way, JBIC is collaborating with the AfDB to provide strategic technical and capital assistance that will improve the business environment, support the development of the Sub-Saharan private sector, and create opportunities for the benefits of development to filter down to the poor.

During fiscal year 2007, JBIC commissioned a project identification study by experts with extensive knowledge of microfinance assistance in Asia, to examine microfinancing for micro, small and medium-sized enterprises in Ethiopia, Ghana, Senegal and nine other African countries. The results of those studies formed the basis for financing models that will be used for future projects. The studies included an examination of the potential of assistance by JICA, such as the One Village One Product initiative, and possibilities for partnering with other international institutions.

About AEMFI
The Association of Ethiopian Microfinance Institutions (AEMFI) is a non-profit, non-governmental organization that was established in 1999 and licensed by the Ministry of Justice of the Federal Government of Ethiopia. The Association is located in Addis-Ababa.

Fast Growing Micro, Small and Medium-sized Enterprises (MSMEs) in Ethiopia Looking for JBIC’s Partnership
Wolday Amha (Ph.D.)
Executive Director, Association of Ethiopian Microfinance Institutions (AEMFI)

Ethiopia stands as the second-most populous country in Africa. With a population of 77.3 million in 2007, the country has a vast potential of developing micro, small and medium-sized enterprises (MSMEs). However, unless MSMEs access financial services for the financial sector, it will be difficult to harness their potential.

Although there has been a remarkable increase in the outreach of MFIs in Ethiopia in a short span of time, the demand for loans is much higher than the amount supplied by the finance providers. The main constraint is lack of loan capital for MFIs. Even the relatively more successful MFIs can neither grow based on retained earnings and mobilized savings, nor raise capital from financial markets. To make the MFIs more vibrant contributors to economic growth and poverty reduction, they must be scaled-up significantly, which can mainly be done by injecting capital from various sources. It should be noted that even if an MFI becomes profitable, accumulated profits will not support the kind of large-scale growth required to reach the large number of poor households.

Thus, if financial services are to be made available to MSMEs in both the rural and urban areas in a short span of time, MFIs require innovation in financing strategies. To facilitate access to financial services by MSMEs, the Ethiopian finance providers require support and partnership from Japan. We believe that JBIC, with its long and reputable experience in Asia, can support the financial providers and MSME operators with product development and providing loans. The recent JBIC initiative, Pilot Study for Project Formation on Microfinance and Capacity Development for the Informal Sector in Sub-Saharan Africa Region, is the first step to address the critical challenges of finance providers in Ethiopia. We expect JBIC to continue to provide a wide range of support including ODA loans.
Does Best, for Africa’s Future

Economic Survey Mission to the Southern Africa Development Community

In October 2007, the Committee on Sub-Saharan Africa of Nippon Keidanren (Japan Business Federation) sent an economic survey delegation to South Africa and Angola, two important member countries of the Southern Africa Development Community (SADC). The Committee’s “Opinion Paper on Development in Sub-Saharan Africa”, released in December the same year, is aimed for the Japan’s government and private sector work together, while at the same time maintaining their own specific roles, to promote socioeconomic stability and prosperity in Sub-Saharan Africa.

The opinion paper suggests that the experience achieved by Japanese ODA loans for the development of socioeconomic infrastructure in Asia can serve as a guide when formulating assistance programs for Africa. Suggestions in the paper include: (1) ODA loans to be provided to more African countries with a shortened timeframe; (2) ODA loans to supplement private sector funded projects; (3) more flexible terms for grant aid; (4) technical assistance for human resource training; and (5) to take advantage of Japan’s advanced technologies, experience and know-how. Taking clearing land mines and other projects for example, the paper recommends an approach to assistance programs that makes the most of the expertise of Japan’s private companies and NGOs. In addition, the paper proposes stronger government-government partnerships, government-private sector collaboration, and use of the development experience Japan gained in Asia, to support Africa in its attempts to resolve difficult problems, including the need for greater industrialization.

Hosts and members of the economic survey delegation to Africa

Instructing land mine clearing operations for invited African trainees

African development is continuing to gain attention in Japan as TICAD IV in Yokohama and the G8 Summit in Toyako, Hokkaido approach. It is important that Japan make even greater contributions as a member of the international community, and now that supplies of oil, minerals and other natural resources are tight, it is also important to determine what role Japan should play in Africa, a supplier of such resources.

It was with this in mind that our Committee on Sub-Saharan Africa sent an economic survey delegation to South Africa and Angola in the fall of 2007. We had discussions with high-ranking cabinet members of both countries and toured a number of sites. Places we visited in Angola included oil and LNG plants, and a training center run by a mine clearing organization. The opinions we formed during our visits were published in our position paper.

I visit Africa once a year and am always impressed by the growing ODA and direct investment flowing into that continent from China and Western nations. But more than money is required to satisfy local needs — while in Africa, we often heard urgent calls for assistance in nation building, and calls for Japan, which has contributed much to Asia’s economic development, to do more in Africa, too.

Angola’s long civil war is said to have left about 7 million land mines still embedded in the soil. Japan is a pioneer in using machinery to clear minefields, and with its assistance, some of those fields can even become school grounds or farmland. This is an example of the type of development program Japan can do best. Support for infrastructure development is the most pressing requirement, but other assistance components are important too, such as policy proposals, human resource training, and the transfer of Japan’s advanced technologies through occupational training programs. These measures require government-government collaboration and public-private partnerships. After the new JICA is established, it can do much by promoting all of these measures through a mix of grants, loans and technical assistance.

Our country’s support for development in other parts of Asia tended to see the Japanese government pushing Japanese corporations to do more, whereas today in Africa Japan’s private sector is currently going slightly ahead of the government. The challenge now is for the Japanese government to get on board with the private sector. It is vital that its limited ODA budget be used effectively through speedy response, selection and concentration and development of an environment that facilitates private-sector participation. These objectives can be achieved through more public-private dialogue, and through efforts to maintain the Japanese people’s interest in Africa and the upcoming TICAD IV.
Trilateral Cooperation among Mozambique, Vietnam and Japan

The message of the coming TICAD IV is “Towards a Vibrant Africa,” with priorities placed on how to draw on Asian experience and how to develop the private sector that will serve as a driving force behind growth.

Since 2007, JBIC has gone to great lengths to build a bridge between Mozambique in Sub-Saharan Africa and fast-growing Vietnam in East Asia. In August 2007, JBIC invited officials from Mozambique to the events held in Vietnam in celebration of the completion of the East-West Economic Corridor that links Vietnam with Laos, Thailand and Myanmar. They exchanged opinions with Vietnamese government officials and those involved in developing the special economic zone in the central Vietnam. This was followed by seminars on industrial development held in Maputo, the capital of Mozambique and the port city of Nacala in the northern region in February 2008, co-organized by the Mozambique government and JBIC.

The participants in these seminars included three officials from the Vietnamese government and Central Economic Zone with which Mozambique officials had discussions in Vietnam in August 2007. Japanese participants included experts on Asian economic development who made presentations on the experiences and lessons learned from industrial development policies and the development of special economic zones and industrial parks in Vietnam and other Asian countries. The seminar in Maputo was attended not only by the officials of the Mozambique government, but also by representatives of major donors such as IFC, and of entities in the neighboring countries including private companies. They raised issues and exchanged views on such matters as drafting industrial development policy customized to the local conditions and the possibility of drawing on experiences in East Asia such as Thailand and Malaysia.

Preceding these seminars, President Armando Guebuza and Minister Cuelenaia of Planning and Development visited Japan and Vietnam respectively in 2007. During their visits, they agreed with the Governments of Japan and Vietnam to advance the trilateral cooperation. Following these visits, President of Vietnam paid a visit to Japan in November 2007, and the Governments of Japan and Vietnam expressed in a joint statement that: as part of strategic partnership, the two sides concurred on the importance of sharing Asia’s successful experience in economic development with Africa and shared a willingness to consider conducting trilateral cooperation in Mozambique.

President Guebuza and the Minister Cuelenaia of Planning and Development highly appreciated these seminars that shared the experience of Vietnam with the people in Mozambique. They said the seminars translated the spirit of the trilateral cooperation agreed on among the leaders into concrete results. They further expressed a willingness to develop such cooperative ties into further concrete outcomes.

The Nacala Economic Corridor Project is an important project following the northern road project (Montepuez-Lichinga Road Project) for which JBIC provided the first Japanese ODA Loan to Mozambique. This project is expected to help develop Nampula Province that has the country’s largest population living in poverty and to improve freight transport to the Nacala Port, a valuable port also for Malawi and Zambia to conduct international trade.

JBIC will follow-up on the preparations progress of this project. At the same time, based on the strong network and trust between Mozambique and Vietnam which was built in the process of holding these seminars, JBIC will consider assistance to the regional development planning by focusing on the development of the Nacala special economic zone on which Mozambique has as much expectations as on the Nacala Economic Corridor Project.