

The Second Japan-Africa Business Forum

Session 1

TICAD and Business – Feedback from the Yokohama Action Plan to the Nairobi Declaration

Speaker

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Ambassador and Assistant Minister

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Mr. Osuga thanked the organizers for inviting him to speak at the forum. He spoke about TICAD being the main framework of Japan's engagement with Africa, not only in development but also in economic, political and social aspects.

The first letter "T" stands for Tokyo as TICAD started in Tokyo in 1993, 3 years after the end of the Cold War, when the entire western world was looking eastwards, Japan was the only visionary to look south towards Africa.

In 2013, TICAD V was held in Japan every 5 years but the African colleagues wanted it to be held once every 3 years with a strong wish to hold it in Africa. Hence, TICAD VI was held in 2016 for the first time on African soil in Nairobi.

Since TICAD V, it is co-organized by Japanese government, the World Bank, UNDP, UN Secretariat and African Union Commission. TICAD VI was held in August 2016 in Nairobi and was attended by over 11,000 people, including 3000 Japanese and 53 African countries. Nairobi was full of Japanese people. Over 200 Japanese companies, including 77 business leaders accompanied Prime Minister Abe to participate. A total of 73 MOUs were signed between Japanese companies/agencies and their African partners.

TICAD's unique characteristics are that it is an open and inclusive forum participated by multiple stakeholders, unlike other partnership forums of Africa with a plethora of countries like China, India, France, EU, Turkey or South Korea. TICAD's agenda is aligned with Africa's own agenda which is Agenda 2063 of African Union.

African countries and regional organizations like AfDB or regional economic communities, international organizations, including UN agencies, traditional OECD and emerging donors like China, Korea, India and others participate. Private sector, including businesses, civil societies, NGOs and academia participate.

TICAD emphasizes on human security, people-centered development and effective implementation with integrated follow-up mechanisms every year. The 3-yearly summit meetings are intertwined with follow-up ministerial meetings and a Joint Monitoring Committee at the senior official level.

Thus, the Nairobi Summit will be followed by the first Follow-Up Ministerial Meeting in Maputo, Mozambique.

TICAD VI focused on three challenges that emerged after TICAD V held in 2013. The first challenge of downturn of prices of natural resources and commodity prices identified a new agenda of economic diversification and industrialization to address and realize a quality Africa.

The second challenge was the Ebola crisis in Western Africa and the focus was on health to realize a resilient Africa.

The third challenge was terrorism and violent extremism influenced by ISIL in the Sahel region, triggering massive migration and refugees which led to the identification of the development agenda of promoting social stability to realize a stable Africa.

Private sector businesses have an important role to play in all three challenges but particularly relevant is addressing the first agenda of Economic Diversification and Industrialization.

In TICAD VI, Prime Minister Abe committed to invest US \$30 billion for the next 3 years in both public and private sector, including 10 billion for quality infrastructure. This includes US \$3.3 billion for expanded EPSA, Enhanced Private Sector Assistance Initiative, which is a joint Japan-AfDB Initiative to nurture private sector in Africa. Prime Minister Abe also committed to provide training for 30,000 people, who will contribute to industrial development of the continent.

Japan made these commitments which will be monitored in the upcoming Maputo Ministerial Meeting.

The Public and Private Sector Joint Mission for Promoting Trade and Investment is Japanese foreign ministry's initiative where they will send Vice Minister level delegation accompanying Japanese companies to visit 2-3 African countries every year. This year's mission went to Nigeria and Morocco. The countries where the mission has never been sent can hope for a future mission.

After the AfDB Tokyo Office websites uploads the number of Japanese enterprises doing business in Africa, if the representatives of particular countries feel that the number is not enough, they can participate in the Maputo Meeting and partner with Japanese private companies.

Speaker
Francois Oubida
Ambassador of Burkina Faso
Chair of ADC and TICAD Core Committee Chair

Mr. Oubida shared the important perspective of TICAD process, especially TICAD VI on business partnership between Japan and Africa.

He mentioned the background of the decision taken in Nairobi, the implementation process and how and what to expect from both private sector and government for a successful TICAD process in promoting the business.

In Yokohama, in 2013, the Head of State and Government resolved to use TICAD framework as an engine to promote private sector-led growth. From this standpoint, the diplomatic group felt that they have a role to play in view of a good implementation of the resolve. Many activities have been undertaken for implementation in close consultation with Japanese stakeholders. The Committee has met Japanese and private sector representatives, civil society, and also engaged with respective governments to take action accordingly.

Some lessons have been learnt from the activities. The impression from the business sectors was that a big corporation always says that they have no information on the opportunities in Africa and have problem with the language barrier which makes business very difficult. They also said that they have no network and no opportunity to be supported if they really go to Africa.

The small businesses are eager to take risks but have no money. The government side was also strongly committed at all levels to engage in any action to meet this challenge. The civil society also committed to work closely with Africa.

In conclusion, a strong will exists at all levels but more action needs to be taken to address the pitfalls. There are some challenges at the government level as well. Although the Japanese government committed \$10 billion as ODA and promised that the private companies will commit more than 20 billion to boost business with Africa, the existing financing mechanisms are not well promoted. Many, including Japanese business sectors, do not know about JICA, JBIC and other funding mechanisms.

The decision process for companies to get financing is very slow because organizations like JBIC and JICA take up to 6 months to take action which is too long for businesses to wait, so they end up starting over.

Other challenges are the bias in the perception of investment in Africa. Japanese companies were ready to go to Africa if Japanese government gave them the money. This is ODA and not investing. Investment means for them to go with money to invest and increase the value add to create jobs.

This misunderstanding exists due to the fact that Africa is still considered a risky continent as no information is available. The consideration they are giving to this situation is higher than the real situation on the ground because other companies doing business in Africa are making profit in a safe environment.

There are challenges on the African side as well. To try to address the situation and boost the business, activities have been undertaken. On the

Africa side, businesspeople are enthusiastic when it comes to business with Japan, as is evident with more than 200 people participating, but financing is a major issue.

When Japanese companies come, they expect to have counterparty or partner, who can commit with them for business, but sometimes they are reluctant as they wonder if the African businesspeople might have money or not. The real dilemma for big companies is that they do not want to put their money.

Based on this, the first Japan-Africa Business Forum sponsored and organized by African Development Bank was organized. At regional level, forums at SADC and ECOWAS level were organized. Forums are organized at individual country levels to try to match the African and Japanese sector. In the process of preparing TICAD VI, the Committee came up with a proposal and suggestion to Japanese government and other stakeholders to see how the situation on ground could be addressed.

Some proposals are where the Japanese government has been requested to increase the budget at the JICA level and review the JICA procedure to make access to funding easier. A permanent Japan-Africa Business Forum for more interaction between the business sectors has been requested to be established.

An information center should be established to make information on opportunities in Africa available to Japanese companies. More room should be given to the civil society in the process with an increase in the budget of EPSA. In Nairobi, the Japanese government took a very meaningful decision by taking onboard most of the above suggestions and announced very important measures during TICAD VI.

Most importantly the commitment in Nairobi Declaration detailed in the Plan of Action covered meaningful sectors like food value chain, agriculture and blue economy, region-wide quality infrastructure, private sector and human resources, business environment, trade investments, human resources, public and private partnership. The other practical decision was to increase the ABE Initiative Scholarship to 1500 for the next 3 years and to extend the credit line at JBIC for 1-year term by \$2 billion. They did announce that private investment would amount to around US \$20 billion.

The expectation from this forum should be to focus on what was stated. Action should be taken on the measures to enhance the role of the private sector. Many businesspeople from both sides want to sign a partnership before they go back to their respective countries.

The question would be how to increase the role of private sector investment and entrepreneurship, what the priority in business reform is, what kind of innovation must be useful and how to facilitate access to financing for businesspeople. Hopefully, this forum will pave the way for a concrete proposal to see more priorities, pro-activities in the African

business sector in proposing a suitable candidate to be selected in the process of ABE Initiative.

If the private sector sends a student to benefit from ABE Initiative, this really helps build a bridge for business between Japan and Africa. The Japanese and African business sectors should come up with new partnership initiative to build a long-lasting confidence through joint bidding at national and international level. The African side should use the loans made available by TICAD process in combination with leading Japanese technology to implement these projects.

Japanese companies should use their third country partners to invest in Africa. If their counterpart in Japan takes a bold step to select them as their representative, African and Japanese companies can build a long-lasting relation and confidence. The government should also keep pushing for promotion of trade facilitation measures and endeavor to engage negotiation for signature of agreement such as mutual promotion and protection of investments and on double taxation.

The Japanese government should make loans available for Japanese businesspeople holding good investment projects in Africa, rather than just asking them to come in. If they are funded, they will most likely go. Therefore, loans should be opened for beneficiaries of the ABE Initiative training with relevant startups.

When people are brought to be trained, sending them back home without any training will not serve the purpose as they will go back to their office or go to other countries. They need to be kept actively involved in the business. More support should be extended to regional economic commissions to help them promote business relation with Japan in their policies.

In conclusion, the Japanese government should be commended for its resolve to support African development policy. TICAD will not last forever as it is a circumstantial response to a situation. The positive result must be boosted to make them irreversible and that realization will never happen unless investment capital is available.

Although the Japanese private companies are expected to invest around US \$20 billion in Africa, the burden should not be put on them as the economic crisis is hard. Rather the Japanese government, whether individually or through a partner, should make the share expected from the private sector available within the African Development Bank in the framework of revised ECSA. This fund should be used for loans to implement projects held by either African or Japanese, using Japanese technology. Compilation of all available information on existing financing mechanism in Japan, including the required procedure, should be made available to the public as it is very important.