Session 4

Plenary, Infrastructure, Trade and Industry
Quality Infrastructure for Better Business

Moderator

Kapil Kapoor

Director, Strategy and Operational Policies, AfDB, African Development Bank

Mr. Kapoor stated that the session was going to reflect on infrastructure, trade and industry in presence of a diverse panel consisting of representatives from Japan from the government, development agencies, and private sector and representatives from Africa from government and private sector. It would be very interesting if in the beginning, they would at least talk for 3 or 4 minutes about how they view the infrastructure challenge in Africa from their vantage point, because the respective vantage points are very, very different.

To start with, solving Africa's infrastructure challenge is critical. Right now, Africa growth rate is at about 3%-4% per year. It is estimated that if Africa continues to grow at 3%-4% per year, by the year 2030, 500 million Africans would be living below the poverty level, leading to failure to meet SDG targeting elimination of absolute poverty.

The shortage of infrastructure costs Africa 2 percentage points a year in lost economic growth. To bridge the continent's infrastructure gap, Africa's economic growth needs to be accelerated by 2 percentage points by taking it from 3% to 6%. This would reduce poverty levels from the projected 500 to less than 100 million.

There are many estimates that say about $100 billion a year is needed to invest in African infrastructure. Currently, only about 50 billion is getting done. It is a collective challenge on the part of both Japanese and African governments and private sector to bring this to about 100 and bridge this gap.

With this, he invited the panelists to give a talk.

Yuji Sudo

Assistant Vice-Minister, Minister's Secretariat
Ministry of Land, Infrastructure, Transport and Tourism, MLIT

Mr. Sudo talked about the Japanese government and MLIT's policy to contribute to quality infrastructure investment in Africa.

In TICAD VI, in 2016, Prime Minister Abe announced that Japan will invest in the high-quality infrastructure for 3 years and $30 billion will be invested in Africa. He also asked the India-Pacific region to be considered as one area with a free and open India-Pacific Strategy.

The MLIT together with 76 Japanese companies held the Africa-Japan Conference for high-quality infrastructure, where 700 people both from

Japan and Africa participated. This was an epoch-making event. In this meeting, ministerial leaders adopted to collaborate and promote quality infrastructure investment in African countries. Based on this statement and with MLIT's high-growth potential, Public-Private Infrastructure conferences are being held in many places like Ghana and recently the 10th meeting was held in Madagascar.

Japanese private sector companies are also interested in this movement. At TICAD VI, with private sector companies present, Japan-Africa Infrastructure Development Association or JIDA was held presided by *Mr. Miyamoto*, Chairman of Shimizu Corporation. It has 152 member companies not only from construction but top-rank companies from many fields. Activities like creating networking opportunities are being conducted in the Japan-Africa Infrastructure Development Association.

In the future, TICAD VII will be held in Yokohama in 2017 at MLIT. At TICAD VII, the Second Africa-Japan Conference for high-quality infrastructure could be held. This meeting would have many companies and government agencies participating both from Japan and Africa. The African Development Bank is also expected to participate. This meeting would have business matching. Plans are afoot to hold this meeting and make it fruitful. These approaches can help promote cooperation between Japan and Africa.

Ryuichi Kato

Director-General, Africa Department, JICA

Mr. Kato stated that is essential to develop cross-border physical infrastructure that contributes to strengthen connectivity and activates intra-trade among the African countries. This intra-trade represents 15% of Africa's total trade and should be accelerated for further economic growth.

The IMF report entitled *Against the Headwinds*, published 2 years ago, states that the major constraints of trade in Africa are a lack of things like infrastructure, access to domestic credit, rule of law and tariffs. Physical infrastructure functions under the condition that harmonized policy and proper human resource development are accompanied.

To share an actual example for trade facilitation and regional integration for Africa, JICA focuses on customs modernization and smooth trade facilitation, including One-Stop Border Post, OSBP, development because inefficient facilitation at border caused extremely expensive transport cost in logistics.

Physical infrastructures like road, bridges and border have also been developed using financing scheme in combination with capacity building. At the Malaba OSBP, which is between Kenya and Uganda, the transit time through cross boat has reduced from 24 hours to only 4 hours as a clear outcome of the compilation. Nowadays, the OSBP sourcebook acts as a guideline for OSBP beginners collaborating with many agencies such as AU, NEPAD, LEX and WCO. JICA is also collaborating with the AfDB for regional integration, which is clearly defined in the High Fives policy paper.

Mr. Kapoor summed up the talk by stating that Integrate Africa is one of the High Fives of the African Development Bank. The reason it is so important across the continent is because only about 15% of total trade takes place within Africa compared to places like Asia, Europe, where it is about 50% and 70% respectively. Regional integration is being emphasized to accelerate trade between African countries.

Shinichiro Yamazaki

Deputy General Manager, Global Trade Finance Department
Sumitomo Mitsui Banking Corporation

Mr. Yamazaki began by introducing SMBC.

SMBC is one of the large size banks with an asset book of about US $700 billion. SMBC is one of the systemically important financial institutions globally, as it operates in 38 countries worldwide. SMBC has offices in Cairo and Johannesburg, in African Continent.

When it comes to infrastructure, it is financed through corporate or project finance. Corporate finance includes loan to the sovereign or the sovereign itself, Ministry of Finance, development bank and agency, etcetera. The projects that have been closed in the past years include the gas-fired plant in Tanzania, coal-fired plant in Morocco, and undersea water cable for Angola.

Some of the take-outs from the track records and history of SMBC providing finance to sovereigns or projects is basically two things. First is the partnership with the multilateral agencies, local banks, and various equity sponsors, both Japanese and local. Proper risk sharing is the absolute key to close the infrastructure deals.

Second is information and risk sharing, which is an absolutely basic key concept. The banks, business partners and also the governments on both sides need to share information and nurture risk sharing as a basic thing

Mr. Kapoor summed up the talk by reflecting on what the financial institutions can do to bridge the $50 billion infrastructure gap on the continent, recognizing that as much as $8 trillion invested in bonds, giving 0% returns, can be used to fulfill the needs of African infrastructure which can give double digit returns. The challenge for institutions is to bridge even a small percentage, say 5% of the $8 trillion to help build infrastructure.

Eiji Yonezawa
President, Oriental Consultants Global, OCG

Mr. Yonezawa stated that since 1957, OCG has been one of Japan's foremost engineering consulting firms mainly for infrastructure, conducting studies, planning, design, construction supervision and related-consulting services.

OCG has two overseas branch office offices in Africa, one in Cairo and one in Egypt. Maputo, in Mozambique, has one office. OCG has project experiences in most of the African countries. OCG covers all the major fields in consulting services like urban and regional development strategies, energy and power development and from software to hardware.

OCG has the following major projects in Africa: Volta River Bridge in Ghana; West Africa Growth Ring Master Plan in Burkina Faso, Ghana, Togo and Ivory Coast; wind power plant in Egypt; New Nile Bridge in Uganda; Urban Transport Master Plan for Kinshasa City; Matadi Bridge in Democratic Republic of the Congo; Nacala Corridor Economic Development Strategies in Mozambique; Urban Transport Master Plan for Dar es Salaam in Tanzania; Namibe Port in the Republic of Angola and Master Plan for Economic Axis for Tananarive and Toamasina in Madagascar.

Infrastructure development is also an important necessity. AfDB implements policies and strategies such as High Fives for 10 years. The JETRO survey in 2016 revealed that the 90% of the Japanese companies have already expanded their business in Africa expecting the market's future to be robust, although 60% companies stated that infrastructure inadequacy is Africa's greatest investment risk. To promote private investment by Japanese companies, the infrastructure development needs to be accelerated. Industrialization is indispensable for Africa's growth. Private investment needs to be attracted to fuel industrialization.

OCG is involved not only in hard infrastructure, but also a Comprehensive Development Master Plan spanning several countries such as Nacala Economic Corridor Development and the West African Growth Ring Corridor Development. OCG can support from the upstream of the strategy and the master plan to the downstream from design to construction and supervision. Various resulting projects like finance to Japanese ODA, PPP, private sector or local governments can be expected when the Master Plan is completed.

These projects can be supported through consultancy services. Japanese ODA projects will especially expand local employment and contribute greatly to acquiring local engineers' skills and technology.

Mr. Kapoor, in summing up the talk, stated that one of his colleagues, Professor Justin Lin from China, the former Chief Economist of the World Bank, used to say that African infrastructure is much better today than the Chinese infrastructure 30 years ago. Despite this, huge investments came to China 30 years ago, so the question is not really about the risk but the perceptions of the risk and if it is real.

Analysis of infrastructure projects that failed on the African continent reveal that the track record of such projects is the same in Africa as it is in

Asia or in other parts of the world, so the perceived risk is different from the actual risk.

Carlos Ahenkorah

Deputy Minister of Trade and Industry
Member of Parliament – Tema West Constituency, Republic of Ghana

Mr. Carlos stated that in today's economic world, isolative growth cannot be achieved through industrialization. It is, therefore, important for African countries to build the necessary quality infrastructure to support industrial transformation leading to accelerated growth of African countries, although it is difficult to understand why the African countries get lumped together as the economies differ in each country's case.

In this regard, what is happening in Ghana is that the President and the government are of the opinion that for the economy to grow, it needs to industrialize. Ghana has come up with a 10-Point Strategic Plan to grow its economy within the next 4 years.

First is the Industrial Revitalization Program to support distressed companies, which collapsed or went down because of one problem or the other. The government is pushing in money to support and assist these companies to take more people from the streets to work again.

Second is the 1:1 factory with a flagship program that the government is embarking upon. Ghana has 216 districts, which have been profiled and the information pertaining to these districts has been endowed with the government. The government calls on investors to call on them. Even if the investors do not have a business plan, the government has one developed that can be fine-tuned to match their agenda and carry it out to fruition.

Third is the strategic and core industry. Ghana is endowed with a lot of raw materials and minerals like about 30 million tonnes of bauxite which is untapped; iron ore and manganese that together give steel. In the salts industry, the industrial salt is mined in about two or three places in the world like Senegal, Ghana and Brazil. There is also the garment and textiles industry.

The strategic and core industries form the pillars on which the industrial transformation would take shape. Ghana has 10 regions and it intends to set up an industrial park in each of these regional capitals. These industrial parks will be large enclaves supporting factories, industries and people, who want to invest in Ghana, but are not finding land to set up and so on. People are also being asked to invest as enclave developers in this regard.

At some point of time, there would be 10 specific product enclaves, like pharmaceuticals, which would have everything in the enclave, like shops and everything else that an investor would require.

Final would be industrialization leading to the development of the SMEs. Ghana has about 90% of companies that are SMEs. Importantly, more efforts need to be put to prop up the SMEs for the industrial revolution ahead.

There is also the industrial superhighway to drive the transformations that will hinge on energy and agriculture rather than on policy reforms.

Aboubaker Omar Hadi
Chairman, Djibouti Ports & Free Zones Authority

Mr. Hadi stated that it is clear that Africa cannot develop without quality infrastructure. Djibouti is investing heavily in infrastructure. In Djibouti, three sea ports have been built and are operational and four more ports are now being built. In December 2016, a rail line was built and opened between Djibouti and Addis Ababa. It is not enough and more funds need to be mobilized to invest in this area.

Investment in African infrastructure will not only boost the continent's economy, but also grow the economy of other continents as Africa is centrally located in the world. Building transcontinental railways and highways will shorten the transit time from Asia to East Coast of the United States and to East Coast of South America, will increase trade with the rest of the world and also increase inter-African trade.

In total, Djibouti will have nine ports as it is located in East Africa. Africa has a lot of landlocked countries. Djibouti can serve the economy of these landlocked countries. Out of 17 landlocked countries in the continent, 10 are located in Djibouti's area. To send goods from the Red Sea and Djibouti to Dakar, one needs to go around the continent through Suez Canal, Mediterranean Sea and Gibraltar. It takes 8 weeks in both directions to go through the Cape of Good Hope. The cargo train running at 120 kilometers per hour takes about 61 hours.

Africa Continent is the only continent with no transcontinental infrastructure. The telecommunications infrastructure also needs to be built. Djibouti gives fiber optic to its neighboring countries as it has seven submarine cables landing in it. Another example of the continent's economic integration is the train link worth US $4.2 billion being built between Djibouti and Ethiopia. This rail link will not stop in Addis Ababa and will continue to the Atlantic Ocean and Gulf of Guinea to connect the majority of the African consumers.

Infrastructure is core to development.

Mr. Kapoor summed up the talk by reflecting on President Adesina's opening remarks, which talked about the existing business opportunity. The African middle class is spending about $1.3 trillion in purchase of consumer goods. The business-to-business transactions are approaching $3-$4 trillion. This year, Africa will attract about $60 billion and the world has started to recognize this massive business opportunity.

This year, $57 billion will come in foreign direct investment. Earlier, investment used to take place in the extractive industries alone. This is no longer the case now. A breakdown of investment taking place on the continent shows that it is taking place in ports, railways, roads, retail businesses, and manufacturing. This is a critically important time for investment in Africa.

Neels van Niekerk
CEO, International Steel Fabricators of South Africa

Mr. Neels stated that he was from the steel construction industry, which is over 100 years old.

The steel fabrication industry in South Africa developed on the back of mining originally. As the mining companies spread around the world, the industries followed. ISF is involved all over the globe, but the key focus remains Western, Eastern and Southern Africa where ISF has done literally hundreds of projects. In the past 20 years, ISF has increased its involvement in African infrastructure projects. There is an increasing involvement in other activities as well.

Infrastructure has two very important elements. One is creation, which many companies are focusing on. Equally important is maintenance of infrastructure creation.

In Africa, ISF has a strong association culture with the technical as well as the ICT sector. Over the past 50 years, Africa has seen a huge growth of similar capacities and associations, but when many foreign companies enter into Africa, they largely ignore the local capacities. This cannot be afforded.

Whenever ISF works in other African countries, the first thing is to look for local capacities and partners. They find smaller partners sometimes, but partnership builds them up as they will be needed again during the next project there. To maximize the African content in African projects is an important aspect. Involving and engaging the industrial associations will lead to a free and open access to gain knowledge about risk and the governments' view of risk in the countries.

Private sector companies from around the world should engage with the local private sector in those countries. The local private sector companies know better than anyone else what the risks for private sector are in their own countries. The same is applicable to all other countries around the world. Investors need to engage with the private sector before they enter and not afterwards. This engagement helps in offensive duplication.

Foreign companies come in duplicate capacity. To satisfy certain requirements, they get involved in many already existing activities that they do not need to. By engaging with their associates, they will be able to mitigate risks, avoid duplication and understand the countries much better.

Mr. Neels stated the he specifically traveled to Japan to invite Japanese companies and agencies to engage with them. ISF is open at any time and welcomes engagement that will be rewarding for the investors.

Kapil Kapoor started with follow-up questions to each of the panelists, following which the floor would be opened for audience questions.

Mr. Kapoor asked *Minister Sudo* to define quality infrastructure, some of its key characteristics and some examples of quality infrastructure.

Yuji Sudo stated that the concept of high quality infrastructure includes a variety of factors. First is where infrastructure itself is quality, so infrastructure must last long, be easy to use and be environment friendly. Quality does not necessarily mean high costs. In the long run, the above factors make it relatively cheaper.

Second is relationship with the local community, not about infrastructure, but through infrastructure is important.

Maintenance operation of infrastructure will create jobs for local people and enhance the skill level of the local population. This is necessary. Additionally, it is important to not only use public but also private sector financing.

One example in Africa is a very well-known case. Over the Congo River, the Matadi Suspension Bridge was built in 1983. It is 700 meters long and recently celebrated its 30th anniversary.

The Japanese and the Congolese cooperated to build this bridge. The engineers involved in the construction of the bridge visited it for the first time in 30 years and were surprised that it resembled a newly built bridge. The bridge was in a good shape because the good quality of construction, maintenance and the technology of maintenance were well penetrated among the local populace. By doing so in the mid and long range, a relatively cheaper but good infrastructure is established with other necessary things and approaches.

Kapil Kapoor stated that while regional integration is important, places like Djibouti lack a transnational railway connecting the entire continent.

He invited *Mr. Yamazaki* to talk about JICA, which has been investing a lot in regional integration, but sometimes there is a lot of emphasis on hard infrastructure rather than soft infrastructure. JICA also places a lot of importance on things like One Stop Border Posts. Why is this so important and going forward what does JICA intend to do in this area?

Shinichiro Yamazaki stated that in the last decade JICA has focused on transportation corridor development, meaning hard infrastructure. This should be accompanied with soft infrastructure, like legal framework or the human resource development. In that sense, it is now time to transform the transportation corridor development to the economic corridor development, to boost the industrial potential along the corridor to add economic growth and social sector development as well.

Hence, industrial, agricultural and socioeconomic developments, which include capacity building, should be done at the same time to generate domestic demand and provide enough supply to meet the demand. A comprehensive approach necessary for foreign investment and industrialization needs to be taken.

Finally, reflecting on the experience of the economic growth in Asian countries or region, specifically the Greater Mekong Subregion Development, *Mr. Yamazaki* stated that the AfDB needs to play a leading role towards promotion and realization of economic corridor development. JICA has been formulating Economic Development Master Plan for three corridors; Northern and Nacala Corridor and West African Growth Link. In addition to the hard infrastructure aspect, this master plan took into account industrial and socioeconomic development.

Integration should be emphasized for inclusive development, regional balance and boosting intra-regional trade.

Kapil Kapoor stated that infrastructure is not an end in and of itself but a means to an end. Good infrastructure can increase trade and investment.

He asked *Mr. Yamazaki* to comment from a financial sector or from a bank's point of view on what can be done to increase trade and investment across the continent.

Shinichiro Yamazaki stated that this is an extremely relevant point. Trade is an essential part to economic growth. Trade financing is one of the key products that SMBC provides. On that aspect, JICA has a risk participation program that has been closed. This program allows SMBC to share the risk with the African Development Bank. This enabled JICA to expand their trade financing book. It is not only doubling or tripling the book size, but enabling JICA to reach out to the African SMEs' importation from Japan. JICA was able to facilitate this from the financing aspect.

Whether it is trade or infrastructure project financing, it helps in building the African bank's capacity. This is one of the things that SMBC can do alongside with multilateral agencies such as AfDB. Building capacity includes providing facilities to African banks, sharing information on what Japanese companies want with the African banks, and using the wide customer base that SMBC has with the African banks. Together with the African banks, JICA supports the import to Africa and the export from Japan.

JICA continues to share firsthand information with the Japanese corporates of its coverage of Africa. To expedite Japanese companies' trading investment in Africa, JICA uses such knowledge and network. As the information flows in both directions, the Africa information is relayed to the Japanese companies. This does not end there. Bringing Africa to

Japan is another key aspect as it has a massive impact to the Japanese corporate view and aspect and prospection to Africa.

In conclusion, a bridging between Africa and Japan is essential to form a bankable deals and trades for private banks like SMBC. That is also based on the sustainable environment created by the governments and the multilateral agencies. There are multiple aspects to the holistic approach to promote the trade and investment from Japan to Africa.

Kapil Kapoor talked about the risk-sharing arrangement and the perceptions of risk across the continent being very high. Today, all kinds of risk-sharing instruments can be introduced to reduce actual risk, whether real or perceived. In fact, one of the areas where a lot of work is being done and one of the types of instruments that are being developed are the risk sharing instruments which allow to eliminate the perceived or real perceptions of risk that exist.

Mr. Kapoor reflected on the argument across the African continent that Japanese infrastructure is very expensive. Are there some examples of how the Japanese private sector can promote cost-effective infrastructure?

Eiji Yonezawa stated that usually for the infrastructure project, OCG's consultant is selected by tender, which evaluates QCBS or Quality and Cost Based Selection, which is the ratio between quality and cost, say 80% and 20%. This is why cost is very important for OCG's consultants to win the competition. OCG collaborated with a Korean company to reduce cost. As Korean engineers are cheaper than Japanese engineers, it is a very good way to collaborate with the Asian countries.

In Uganda, OCG introduced the New Nile Bridge project, which was a joint venture with Korean consultants and Japanese contractor. Since the bridge is under-construction, the Japanese contractor made a joint venture with a Korean contractor to reduce the construction cost of the project.

OCG hopes to form a similar international joint venture for their New Bridge Project in Kenya. It is possible to expand collaboration and cooperation between private sector firms representing different Asian countries. OCG also has some local subsidiaries in Asian countries, like India, Myanmar and Indonesia. In India, it is called OC India, as it is a joint venture with a local subsidiary in India. This is the best way for OCG.

Kapil Kapoor asked *Mr. Yonezawa* to comment on what more can African governments do to provide critical infrastructure services to their citizens.

Eiji Yonezawa stated that the most critical infrastructure development to support industrialization is energy. Industries cannot be driven without energy.

Ghana has an installed capacity of energy of 4000 megawatts, of which about two-thirds is thermal energy, which is very expensive. By the end of 2020, the government resolves to produce at least 10% of its installed capacity from renewable energy. Ghana has a lot of sun and wind. There is no reason why Ghana has to rely on energy that would cost between 18 to 20 US cents per kilowatts hour. This cost is very high for a lot of African countries to grow.

With regards to agriculture, Ghana has about 60% of world's arable land for cultivation, yet it imports food more than any other continent and one wonders if it is laziness or ignorance. The African governments should find ways to push investments into this area as well as support quality infrastructure. Many a times, quality infrastructure always refers to capital intensive infrastructure. Policy reforms can formulate the brisk line for business to thrive and for investments to roll in.

If governments can provide enabling environments for exports to thrive, there is no reason why people from Japan would not come and invest in Ghana, Nigeria or Togo.

The West Africa sub-region has an ECOWAS Trade Liberalization Scheme, which is a multilateral agreement allowing member states to export to each other's country free of duty. If the government is able to harness the potential of about 400 million people, it immediately gives them the platform to be able to export and export out well.

The African map looks like a broken mirror, with small countries and the lines within them. OCG would like to have a magician clear all these broken lines and have one Continental Africa. This is what it would like to work on.

By the end of 2017, the CFTA or the Continental Free Trade Agreement will come into force, where all customs and immigration barriers will be brought down. African countries will be able to trade with each other. This tells the Japanese investors that this is the time for them to come to Africa and showcase what they can do.

Another thing is to improve domestic trade amongst the African countries. Why does not Africa eat what it grows and why does it not improve its retail infrastructure for people to walk into shops and have a reason to buy from that shop instead of going to the market.

The Industrial Subcontracting Exchange refers to the serializing of all the large-scale companies in a country and introduction of SMEs to the large-scale companies and informing the SMEs what these large-scale companies need to produce or manufacture. An exchange situation is formed whereby raw materials required by large companies are produced in a country and are used by the country.

At one point in time, a buyer in Netherlands will buy goods in Ghana and ask them to be shifted to Morocco, meaning that the Moroccan buyer did not know that the Ghanaian supplier was able to supply or keep a good supply of required needs. Regular business regulatory reforms give investors the confidence. It is an infrastructural base that people will look at anyways.

The final point is institutionalization of public and private sector dialogue. Many African countries refuse to work with OCG if they engage with the private sector. It has become increasingly difficult and frustrating for the private sector to identify who to take their problems or report their matters to. Shaping these platforms up will be a basis where industries can thrive and investments pouring into the country.

Ghana has this methodology, which they have adopted, which covers the investors entering Ghana. The Japanese investors, and the African colleagues, who want to come to Ghana, should come and see what Ghana built for itself.

Kapil Kapoor reiterated the fact that countries should trade more with each other. Recently, the amount of trade within Africa, just on aggregate remains at about 15%, has actually gone up pretty dramatically.

The trading amongst African countries reveals that these are value-added manufactured products and not raw materials. The trade that takes place within the African continent has much more value addition than the trade with the rest of the world. The suggestion that there should be more trade between African countries is critically important and regional infrastructure can help in facilitating this.

Mr. Kapoor asked *Mr. Hadi* to comment on Djibouti's experience of how the free economic zones or free ports are going to be successful in integrating the continent?

Aboubaker Omar Hadi stated that the objective of investing in the free zones is to industrialize the country and export to other African countries and the rest of the world. The inter-trade, which is 50% in Asia and 70% in Europe, will contribute to increase this percentage. Instead of importing something from another continent, if it is produced with a good quality, one can buy it from the next door. This will change the continent's economy. Djibouti is doing this for job creation and saving foreign currency.

By 2035, Djibouti aims to become a middle-high income country as it would import less and export more from the free zone. This would lead to growth in foreign currency income and economy and control the inflation as the goods will be produced from the local raw material in Africa.

Djibouti is investing in two free zones, one is light industry free zone and the other is heavy industry free zone. The heavy one will have a ship repair and a ship building yard, oil refinery, cement factory, and power generation plant.

Plans are afoot for a cross border free zone between Ethiopia and Djibouti. The Master Plan is being made for tis and it is not yet under construction.

Kapil Kapoor stated that he was unaware that the steel that went into the Burj came from Africa, so Africa needs to advertise its successes a bit more. People do not know of accomplishments that are subtly advertised. Will it work if many African countries put in place local content requirements, where a certain percentage of whatever is being produced should be produced locally?

Neels van Niekerk stated that even the best intention of governments specifying increasing use of local content in terms of goods, employment, and ownership is typically very wide. There are no specific requirements for the number of foreign workers employed requiring permits or for the locals.

The construction companies that do infrastructure projects have their own well-established supply networks. When they do a project, they intend to complete it within budget, within time and according to specifications. When it is left for them to create the local content, they do not spend the money on the project itself but spend it on local schools and hospitals and equipments. They employ people just to get the quotas right for employment. People are seen digging trenches or waving flags on the road to justify the foreign contact which is clearly not productive.

When these companies leave, there is no maintenance facilities created and maintenance becomes very expensive as it has to be imported. The created infrastructure often gets degraded as the lifecycle approach to infrastructure project in Africa is still lacking. For this reason, the governments should engage with the industry associations.

The local industries in the countries must maintain the infrastructure after the foreign companies leave, so the contract with the foreign companies should specify the requirements of what needs to be created. It should use associations to assist, advice, and be a watch dog, to ensure that the created capacity is sustainable. Many over-created capacities fail and disappear just to be re-created time and again. Failure to avoid this leads to increased costs. This is the main reason for not being specific enough with the local contacts.

More investors are openly saying that the investments are being chased away from the mining industry in Africa as it is becoming too strenuous to comply with all the requirements, as they are not realistic. In this regard, the local industries can advise governments on what is realistic and what can be expected.

Kapil Kapoor opened up the floor for audience questions.

Ingénue Cajun Kingsley, from OJ Kings Company Limited, which is a civil engineering company from Nigeria, stated that his comment was a bit specific to the Japanese investors. As a civil engineer operating in Nigeria, there are not many Japanese companies participating in the infrastructure development of Nigeria, but there are others like Europeans, Chinese, Americans, etcetera, and companies like Julius Berger which is one of the biggest construction companies, if not the biggest in Nigeria.

They are not much there in Germany and the same holds true for some Chinese companies. With regards to the quality infrastructure, the Japanese companies or the Japanese have and can provide quality infrastructure, which constitutes not just the effectiveness of the structure, but the comparative analysis or the cost effectiveness of the structure, so there is a competitive advantage for these companies.

Second is the ease of doing business. The Nigerian government and many other African countries have paved the way for companies to come and partner with local companies to champion growth in infrastructure development.

Over the last 3 years or so, the Chinese companies gave loan to a Nigerian company with the caveat that the development projects like airports, etcetera, would be executed by the Chinese companies. This is a win-win situation both for Japanese and African companies as well for Africans.

One can make use of what is available to not only develop the African Continent, but also encourage growth of their own company.

Julius Berger has stopped importing some of the construction equipments and only import equipment made in Europe. Komatsu and many other Japanese companies can leverage on this forum and on this partnership to encourage growth of both African countries and Japan.

Courage Kamusoko, from Asia Air Survey, questioned Ghana about what is being done to bring down the barriers on corruption, as there is a high perception that corruption is a problem for doing business in Africa.

Johannes, an ABE Initiative participant, recently graduated and interning with Oriental Consultants Global, questioned *Mr. Yamazaki* from SMBC. Most of the Japanese banks have negative interest rates, yet SMBC has not been able to take any initiative to invest in Africa, where interest rates are more than 20%. It is better to invest in zero cooperative bond interest. Can the risk to invest in Africa be not mitigated?

Karim Quamir, from Côte d'Ivoire, studying international relations from the International University of Japan, questioned *Mr. Yonezawa* about investment in Africa being risky. Someone said that it was riskier to invest in China 30 years ago than it is to invest in Africa today. Ghana, Côte d'Ivoire, Burkina Faso and many other countries belonging to the same region, faced with the same realities, are looking forward to investments. In concrete, what are the challenges or the risks being faced to invest in infrastructure in this region? Ghana has advanced well into democracy and is a good example. If democratic transitions are one of the risks, Ghana should not be a risky country to invest in.

Kapil Kapoor invited the panelists to answer the questions.

Yuji Sudo answered the question of there being fewer investments from Japan to Africa. From a position of a person-in-charge of infrastructure development in the government, the Japanese government imparts infrastructure development cooperation to other countries.

Recently, the government emphasized on this approach at the top level, one reason being infrastructure development in Japan that kept MLIT busy so far. In the last several years, a major movement started with regards to Africa. Although it may be difficult to distribute evenly to all places, the focus will be on major areas and gradually expand investments into Africa.

Ryuichi Kato commented on the partnership of Japanese enterprises with local African entities. It is important for the Japanese investors to have enough information of the local African resources. In JICA's project in grant aid and concessional loans, many Japanese companies have African partners in the field. JICA's project will enable Japanese companies to gain more information and develop more networks with the African entities.

Shinichiro Yamazaki answered why there were no investments in Africa, even in a negative rate environment. SMBC is a commercial bank, which finances the relationship and the business. SMBC is not a financial investor or hedge funds, and are not simply chasing after the interest rates as a business. SMBC would like to finance a sustainable business, preferably linked to Japan.

Kapil Kapoor asked *Mr. Yonezawa* to answer the question addressed to him.

Eiji Yonezawa answered the question regarding the risks in African country. The results of the survey conducted by JETRO revealed that 60% of Japanese companies said the greatest risk is infrastructure inadequacy, but OCG actually does not feel any risk in Africa, and thus are included in the other 40% that do not perceive Africa as a risk in terms of investment. OCG has many experiences in most of the African countries, so it is difficult to understand why 60% of the Japanese companies feel risk in investing in Africa.

Carlos Kingsley Ahenkorah stated that although the talk about corruption on the African continent negates whatever good is being said about Africa, the perception that Africa remains risky in terms of investment is borne out of some facts. When an African President would die, there would be news about him leaving a mass of wealth behind, and one would wonder what this man was going to do with all the money. This and many other reasons have characterized Africa in a certain niche, where investors find Africa to be a risky spot.

By the end of this year, the CFTA is going to be in place and the whole of Africa is going to become one continent. All immigration and customs barriers will be dropped. Investors will have a reason to locate their industry as they can ship it anywhere free of duty.

If democracy is anything to go by, then Ghana will be part of those countries where people would have to look inside their companies and decide about other countries.

Mr. Carlos used this platform to appeal to the politicians, who think of amassing wealth on being elected, is the only way to showcase oneself to the world that they have arrived. This is wrong.

One can leave behind a legacy of what they did when they were in politics or the time when they saved their people, otherwise certain countries will never attract investment from other countries. It has become increasingly clear that some countries are not getting investments because of the perception of things not being right. If things are not done in the right way, if nothing is done to negate or remove the wrongdoings, then negative stereotypes exist in the minds of the investors, due to which some African countries would never get investments from some countries. This is especially true for those who want to sit and perpetuate power forever.

Kapil Kapoor invited the audience for a few more questions.

S. Kuppuswamy, from the Shapoorji Pallonji group in India, representing the Confederation of Indian industry with a reasonable amount of experience in Africa, stated that he strongly supported the argument that the perceived risks in Africa are mere perceptions to a large extent.

From personal experience, Shapoorji Pallonji Group has built the Presidential Office in Ghana. When the current ruling party was in power, there was a transition. There were fears that the entire project would be scrapped off and be made into a hospital or something like that. Once the newly elected government saw that the work being executed was world class and was listed among the top 10 presidential offices in the world, they moved in. They asked the Shapoorji Pallonji Group to help built the Tema-Akosombo Railway Project.

Again, there was a change in the government. The earlier government had passed the rail project. The current government saw the merits in it and saw the excellent companies that were handling it and they went ahead with the project.

Therefore, countries with true democratic practices in place do not face the risk as long as best practices are being followed.

In Zambia, there was a project for the decongesting Lusaka City which the earlier government had argued and talked about. There was a transition in the government which led to the fears that the project could be completely scrapped. This did not happen as the new government saw the project's merits and the merits of the company executing the project.

Japanese companies are considered as the best in the world. For cases where there is a perceived risk, there is greater scope for collaboration with countries like India with greater experience in Africa. This will make it possible to execute world class projects, making it a win-win situation for all three parties involved.

Daud Abulama, from Nigeria, and a part of ABE Initiative, stated that he was excited about the fact that Africa needs investment, but questioned the African leaders about their plans for their graduates, because all over the world graduates from Africa are doing well, but the African governments do not seem to trust these graduates due to which they get frustrated and go to Europe or America and they strive well in all aspects of the industry, be it medicine or pharmacy.

What plans are there for these good graduates to sustain the infrastructure? It is being said today that Africa needs Japan and some other countries to come and invest. If Africa is going to ask other countries to come and invest, what plans are there in the future to stop borrowing and go and invest or contribute to other countries in the world?

Carlos Kingsley Ahenkorah stated that it is true that Africa today has a lot of unemployment situations, especially for graduates. Fortunately or unfortunately, this is the time when Africa seems to be churning out a lot of graduates.

First and foremost, what is wrong is the unavailability of jobs for these graduates. To solve the problem, the simplest way would be to have investors come in and invest and open up the jobs for the graduates and absorb the graduates them by giving them the jobs. But it is not as easy because the risk factor or the perception factor of Africa makes it difficult for Africa to open up the investors and for investors to come in and open up these jobs for the local youth and giving them work to do and reduce unemployment. It is now incumbent upon the African governments to come up with strategies to engage these youth.

First is the Ghanaian example. The Entrepreneur Program was just launched, where startups or graduates fresh out of the school, with start a company with IBS. They are given some kind of a start-up capital and ideas and are bugged by some business advisory centers to open up their own job consents and get going. They do not only have to rely on these white collar jobs and think that as soon as they finish school, they have to get employment somewhere and that is it. They should imbibe in their youth the idea of creating their own world by being innovative and that is what people from this part of the world did and did best.

In Ghana, all the polytechnics have been turned into technical universities, to give them the power of knowledge and knowhow, and to see how it can be contained. Computers are assembled in Ghana. Not many African countries have the capacity to manufacture or produce their own things, but Ghana does. The social media is abuzz with a Ghanaian student coming up with a search engine, which combines Google and all other search engines together and he is probably going to be the best, when compared to what Ghana has already. It is important to give technical knowledge to the students.

Even though the population of Africa keeps on increasing and the graduates keep coming out, there is no job. There can be jobs only if they are showed how to create their own wealth or develop their own skills.

Kapil Kapoor thanked the panelists and concluded the session.