

Promoting Private Sector-led Growth in Africa

In light of the great success of TICAD V

(Contributed to Africa Society of Japan organ magazine on June 30<sup>th</sup>)

Masayuki Tamagawa

External Representation Office for Asia

African Development Bank (AfDB)

As a staff member of the AfDB, I would like to express my congratulations on the great success of TICAD V. I believe that this TICAD meeting will bring about a giant leap forward in the relationship between Japan and Africa.

TICAD V was held in a year which marks the 50th anniversary of the foundation of the Organization of African Unity (OAU) by African nations which successively achieved independence in the early 1960s. It also marks the 20th anniversary of the first TICAD meeting held by Japan, when Japan began to vigorously take the initiative in supporting African nations which were in a state of crisis after the end of the Cold War.

African nations have not followed a smooth path during this 50-year period. Many have experienced hardships of every sort, such as the difficulty of building independent nations, division fostered by the Cold War, failed development plans, poverty, conflicts, and many others. At the beginning of the 21st century, however, some countries began to gradually overcome these hardships and have gotten their economic development and nation building initiatives smoothly on track. Since 2005, more countries have achieved high growth rates as a result of debt relief and stabilization of their macro-economies. Now, driven by various favorable factors, such as rising demand for natural resources, progress in democratization and improvement in governance, a significant reduction in business costs along with the diffusion of information technology, expansion of the middle class, and development of urban areas, African growth is becoming sustainable to a degree that hope for further development of African society is widely shared throughout the international community. I would say that Africa started to progress dynamically about ten years later than India, which began to develop and rise in the mid-1990s after overcoming an external debt crisis during the post-Cold War period.

I am confident that Japan has provided more assistance than other industrialized countries to Africa's efforts to achieve self-reliance, focusing on growth in order to

achieve poverty reduction and national development. In the preparatory stage of TICAD V, Japan drafted a strategy to make African growth more “sustainable,” “robust,” “inclusive” and “green.” This draft strategy received the overwhelming support of African nations and the African Union (AU), and was finally adopted in the outcome document, the Yokohama Declaration.

The Yokohama Declaration presents a six pillar strategy for future growth in Africa: (1) promotion of private sector-led growth, (2) acceleration of infrastructure development, (3) empowerment of farmers as mainstream economic actors, (4) promotion of sustainable and resilient growth in response to climate change, (5) creation of an inclusive society for growth through enhancement of health and education, and (6) consolidation of peace, stability and good governance.

Promotion of private sector-led growth is a cardinal rule for the Japanese economy. In order to achieve it in Africa, it will be necessary to take various measures, including making laws, establishing financial systems and developing human resources to promote business and investment activities and create successful model cases with substantial ripple effects. However, many African nations still do not have sufficient tax revenues or human resources to complete these tasks, and they need financial and humanitarian contributions by Japan and other parties to these priority areas. Also, private sector-led economic growth cannot be achieved without the development of public infrastructure, such as electricity, transportation, communication, and water treatment systems. At the same time, not only industrialization but also agricultural development will play a major role in achieving future growth in Africa and will be key to achieving environmentally friendly growth. The Yokohama Declaration emphasizes this factor as its third strategic pillar, which is very unique and demonstrates its great sensitivity to African realities.

Needless to say, education is important for private sector-led growth, and in this context, what is truly important is the development of human resources not only through traditional education in schools but also through vocational education aimed at creating employment and improving the quality and skills of workers. At present, progress in democratization is being made at remarkable speed and fairly elected governments are coming into existence all over Africa. Along with these developments, it is also an important challenge in the field of governance to promote the training of civil servants who are friendly to private sector development, resistant to corruption, interested in

efficient government, and committed to serving citizens.

In his address at the opening session of TICAD V, Prime Minister Abe announced Japan's commitment in concert with Africa's growth strategy, which was welcomed with great applause by African leaders. The Prime Minister declared that he will revolutionize the way in which assistance is provided to Africa, and stated that Japan will support African growth through public and private means in the amount of 3.2 trillion yen (USD 32 billion).

He stated that what Africa needs now is private sector investment and public-private partnerships to leverage that investment, and called for greater investment in Africa by Japanese companies. As priority areas that Japan will target in providing development and financial assistance to Africa, he mentioned (1) infrastructure development, (2) human resources development, (3) agriculture, (4) health and medical care, and (5) human security.

Media coverage has frequently characterized TICAD V as representing a shift from assistance to investment. However, I do not think that investment will immediately replace assistance. More precisely, I can say that Japan, by taking the opportunity to hold this meeting, declared its commitment to revolutionizing the approach to assistance and called for participation in business and investment in Africa by Japanese companies, with the goal of achieving sustainable, quality growth in Africa.

Economic growth in Africa driven by private-sector development is expected to lead to the expansion of business relationships between Japan and Africa and to a dramatic increase in the number of Japanese companies launching businesses and investing in Africa. At TICAD V, not only the conference sessions but also the African fair and other side events were lively and crowded with visitors. As there are a vast number of business opportunities in Africa, the conditions for encouraging Japanese nationals and companies to enhance their investments and businesses in Africa are being fully prepared before the public sector sets out to develop them. Japan's participation in business and investment in Africa will lead to private sector development in Africa, and in turn, African growth will benefit Japanese companies and bring growth to Japan. I believe that this is now widely understood by Japanese people as a result of TICAD V.

The follow-up to TICAD V has already commenced in various fields. I hope that these

initiatives, aimed at aggressively promoting the development of new relationships between Japan and Africa, will bear fruit in the future.