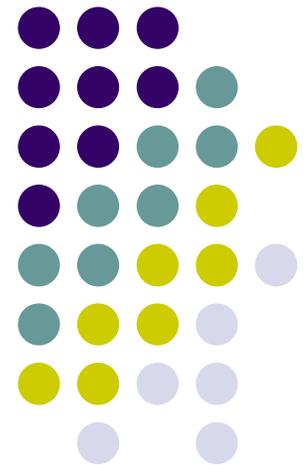


Strategy for Sustained Growth Acceleration (SGA) in Africa

***- A View from the Asian Experience -
(An Output of JICA-JBIC Stocktaking Work)***

Jul. 2008

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Key Messages

- Africa needs to sustain and accelerate growth through **export-oriented industrialization**
- Governments in Africa ought to have **more policy space** to discover and help develop growth-leading industries through trial-and-error process
- A call for establishing “**Industrialization Strategy**” process in Africa

Some unique features of the Asian experience



- **Diversity** in terms of development strategy, role of the state and growth-leading industries – consequence of the country's effort of strategic responses to the changing conditions
- Existence of **public-private partnership** for addressing private sector constraints, developing future strategy and facilitating coordination
- **Long-term (transformational)** perspective in development strategy, which formed economic and social basis of development and guided private sector investment

Diversified Paths of Development in Asia



- Diversity across **Countries**
 - Domestic Capital-Dependent vs. Foreign Capital-Dependent
 - Natural Resource-Rich vs. Natural Resource-Poor
 - Interventionism vs. Liberalism
 - Diversity over **Time**
 - IS → EO → (IS ↔ EO) → Globalization
 - Diversity in growth-leading **Industries**
 - Heavy industry, consumer electronics, textiles, agro-processing, human resources, ICT ...
- A self-owned process of **strategic responses** to the changing environment and challenges/opportunities

P-P Partnership in Asia



- **“Vendor” Development Program in Malaysia**
 - A government effort to develop **local supporting industries** which supply intermediate products to large and foreign firms
 - GoM guided **“anchor”** firms to provide machinery as well as technical advice to **“vendor”** firms so that the latter will be capacitated to become local suppliers
 - **Tripartite Agreement** was introduced among the **Industry Ministry – anchor firms – financial institutions** to further concretize the cooperation mechanism where the Ministry played a coordinating role
- **Development of ICT Industry in India**
 - IT industry identified as public works back in 70s
 - Combined with strengthening of sci-tech education and research promotion thru **P-P-A partnership**
 - HRD activities in universities and research institutes were jointly financed by the stakeholders



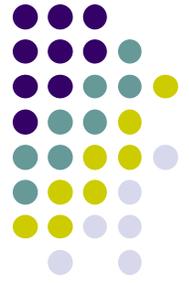
Long-term (transformational) Perspective in Development Strategy

- Use of oil revenue in agriculture and rural development in Indonesia
 - Part of the macroeconomic stabilization policy to avoid Dutch disease, in addition to accumulation of fiscal surpluses and devaluation of currency
 - Also motivated by political consideration to pacify rural discontent
 - Heavy investment in agriculture and rural development, leading to green revolution and eventually to provision of basis for long-term development

Table: Trends in Irrigation Development in Indonesia (Unit: 1,000ha, a billion rupiah)

	1969-74	1974-79	1979-84	1984-89	1989-94	Total
Area						
Rehabilitation of irrigation facilities	957.8	513.5	320.7	401.3	2,328.4	4,521.7
Expansion of irrigated area	171.2	255.5	369.8	218.4	500.0	1,514.9
River improvements/Flood protection	286.6	431.1	387.9	442.9	450.0	1,998.5
Reclamation of wetlands	199.6	218.6	438.9	191.9	444.2	1,493.2
Total	1,615.2	1,418.7	1,517.3	1,254.5	3,722.6	9,528.3
Development budget allocation						
Rehabilitation of irrigation facilities	50.0	144.0	416.4	261.7	2,287.6	3,159.7
Expansion of irrigated area	25.0	195.7	658.4	417.3	3,112.7	4,409.1
River improvements/Flood protection	-	-	-	329.9	919.7	1,249.6
Reclamation of wetlands	-	-	-	74.8	939.1	1,013.9
Others	39.4	204.9	588.7	3.7	111.8	948.5
Subtotal	114.4	544.6	1,663.5	1,087.4	7,370.9	10,780.8
Recurrent budget allocation	1.4	.70	21.0	48.5	-	77.9
Foreign aid	30.6	151.5	505.6	2,663.0	-	3,350.7
Total (billion rupiah)	146.4	705.1	2,169.1	3,798.9	-	6,819.5
(million US dollars)	364.0	1,824.0	3,175.4	2,725.6	-	7,889.0
Foreign aid dependency (%)	20.9	21.5	23.3	70.1	-	42.5

Source: National Research Institute of Agriculture (1993) Government and Farmers in Irrigation Development in Indonesia, Nogyo Sogo Kenkyu, Vol.47, No.4.



- **Breakaway from natural resource -dependent economy through IMP in Malaysia**
 - Malaysia, having been a natural resource dependent-economy until early 80s, faced a recession caused by price decline of primary goods
 - Introduced mid-to-long-term strategy and policy measures as well as short-term, which included Industrialization Master Plan 86-95 (IMP)
 - IMP aimed at EO industrialization and selected 12 products/ product groups for promotion followed by policy package
 - Drastically transformed economic and export structure partly with the help of influx of Japanese FDI

Enhanced policy space through “Industrialization Strategy” in Africa



Through **tripartite dialogue** b/w public-private-academics,

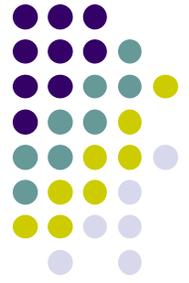
- Identify the long-term **vision** of the country’s economic development
- Discover **growth-leading industries** based on existing and latent potentials
- Identify the **constraints** surrounding the growth-leading industries
- Devise **measures** to remove the constraints and as well as make necessary **investments** (infrastructure, HRD etc.) to support the industries

Key principles of “Industrialization Strategy”



- Industries mean **more than manufacturing** – includes services sector and agriculture
- Clear and objective **criteria** to discover the industries and maintain **transparency** in the process
- Establish a **“process”** of P-P dialogue
- Support with **discipline** (punishment and exit strategy) and apply **rule of competition**
- Proceed as **institutional capacity** develops

Role of the international community



- **Embrace diversity** of development strategies in Africa and support countries with strong commitment to advance own strategy
- Sustain efforts to maintain/enhance **market access** of African products
- Invest in large-scale **infrastructure** with regional impact
- Support **technological capacity** building in Africa

Action by GoJ/JICA to advance IS in Africa



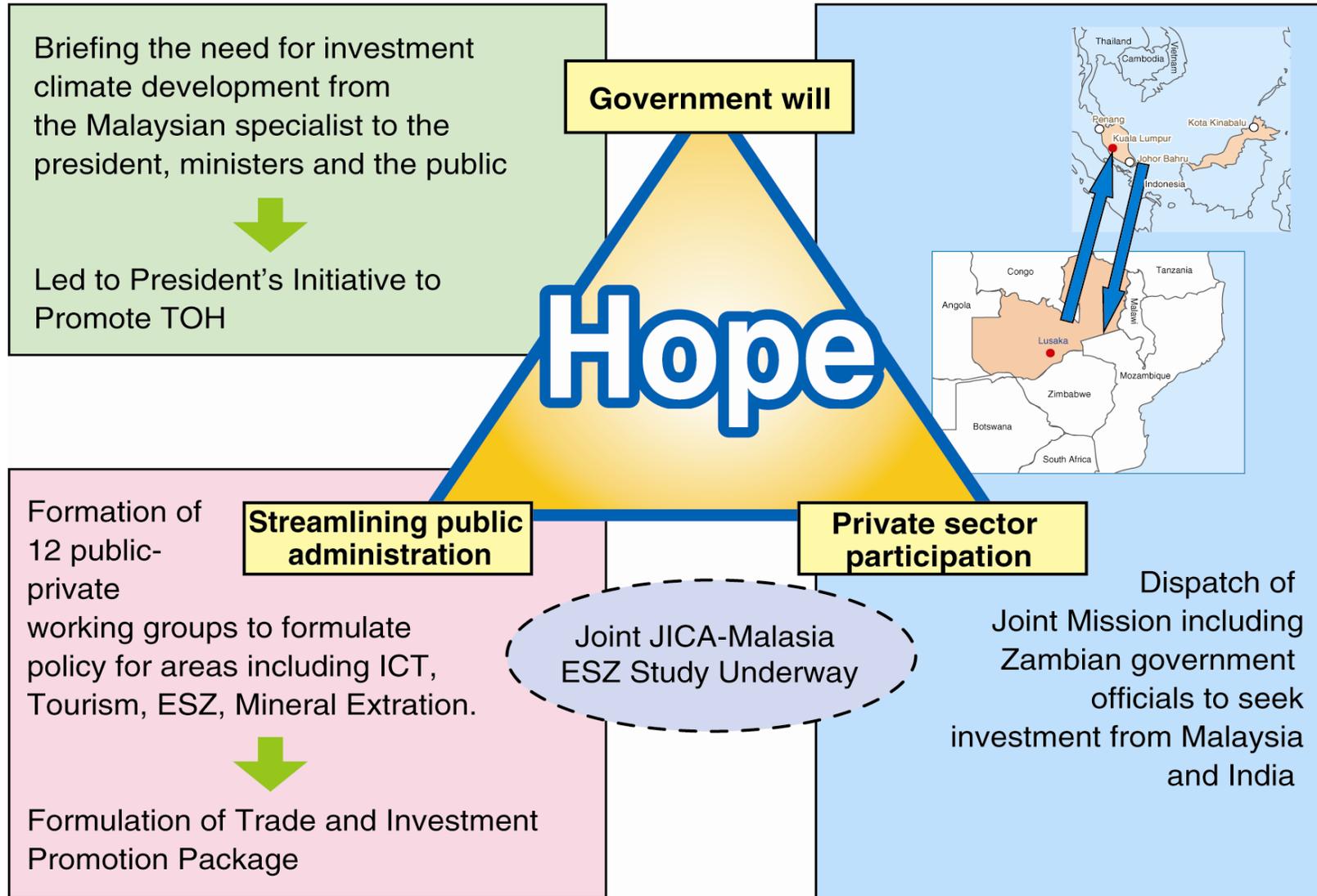
- Support to the dialogue-based **formulation** of “Industrialization Strategy”, incorporating Asian experience, in some selected African countries
→ commitment by GoJ expressed in **TICAD IV Action Plan**
- The process needs to be **harmonized** with other processes – investment in infrastructure and other business operations
- Donor **coordination** needs to be heeded – including “Growth Diagnostics” – to promote mutual learning and complementarity between the two processes

An on-going effort by JICA



- **Investment climate development in Zambia**
 - Calling for coordination and sharing of vision among **three partners** of development – political leaders, private sector and civil service
 - Capitalizing on Asian (Malaysian) expertise and experience, a case of **South-South cooperation** supported by JICA
 - Selected **12 priority sectors** based on country's existing and latent potentials and prepared T/I promotion package– even “landlocked-ness” is conceived to be an advantage, as being a potential for developing Air-Cargo Hub & Inland Port within the sub-region
 - **Business promotion** is being advanced with Malaysia and India. Some agreements for joint ventures have already been concluded for establishing mobile-phone factory, telecom. college and specialized hospital ...

[Triangle of Hope: Creating the Optimal Conditions for Investment]





Some remaining issues

- Weakness of the domestic private sector and absence of mutual confidence on both fronts – need for a “win-win” arrangement
- Political economy of the African countries
 - how can state-society coalition be strengthened?
 - how can economic/political base of the ruling class be broadened – by instituting the mechanism to capture the society and create reciprocal relationship?
 - what is the role of democracy and globalization?



Concluding remarks

- “Industrialization Strategy” as a **process** – NOT a piece of document
- A **trial and error process**: be aware, some may end up in flops, but it has to be embraced as part of the game
- Support measures adopted in accordance with **institutional capacity** – one may as well begin with neutral – cross sectoral – measures
- Most support measures are **permissible** for LDCs, even under today’s international rules



**So, is it a matter of willingness
(or feasibility)?**

Thank you for your attention