



# Co-Creating a New Era with African Partners -- Japan's Engagement in BOP / Inclusive Business

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(GRIPS) June 12, 2014



# Highlights

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1. Co-creating a new era with African partners
2. Entry points for BOP/Inclusive business in Africa
3. Japan's comparative advantages?

# Co-Creating a New Era with African Partners

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- Dynamic changes and challenges in Africa
    - Annual growth rate of 5% (real GDP); continued population growth contributing to the emergence of middle class, expanding market potential.
    - But, uneven distribution of the fruits of the growth. Need to tackle the remaining challenges of MDGs and cope with new challenges associated with the growth process.
  - Changing Japanese society and economy
    - Population crisis (declining birth rates and aging). Need for growth generation, through “innovation and new value creation”
  - Aspiration of the international community in the post-2015 era
    - High expectation to technology and innovation power of the private sector to address global issues and development challenges.
- *BOP/Inclusive Business provide a golden opportunity for “Future Investments” for Africa and Japan.*

# Economic Performance and Prospects of Africa

(real GDP growth rate: %)

	2010	2011	2012	2013	2014	2015
Africa	5.2	3.6	6.4	3.9	4.8	5.7
Central Africa	5.9	4.4	5.8	3.7	6.2	5.7
East Africa	7.3	6.3	3.9	6.2	6.0	6.2
North Africa	4.3	0.3	9.4	1.9	3.1	5.5
Southern Africa	3.7	3.9	3.3	3.0	4.0	4.4
Western Africa	7.1	6.9	6.9	6.7	7.2	7.1
<b>Sub-Saharan Africa (excl. South Africa)</b>	<b>6.6</b>	<b>6.3</b>	<b>5.8</b>	<b>6.1</b>	<b>6.8</b>	<b>6.9</b>
World	5.3	4.0	3.1	3.0	3.7	3.9
United States	3.0	1.8	2.8	1.9	2.8	3.0
Euro Zone	1.9	1.4	-0.7	-0.4	1.0	1.4
Japan	4.4	-0.6	1.4	1.7	1.7	1.0
China	10.4	9.3	7.7	7.7	7.5	7.3
India	10.6	7.7	3.2	4.4	5.4	6.4
ASEAN 5	7.0	4.5	6.2	5.0	5.1	5.6

Source: African data are based on AfDB, OECD, UNDP African Economic Outlook 2014 (2014-15: projection, 2013: estimate). Other countries are based on IMF World Economic Outlook, April 2013 & Jan. 2014 (2014-15: projection).

## World Population Prospects

(2010~2050 Projection)

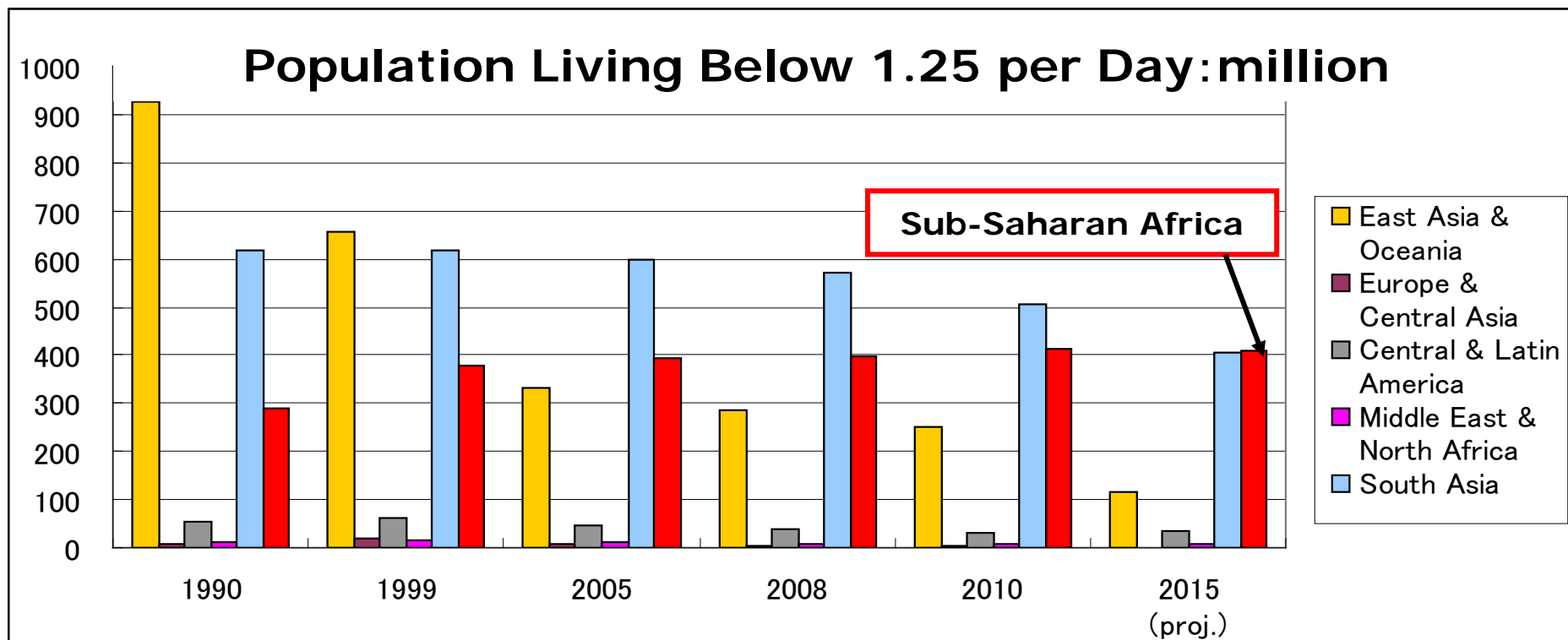
Unit: 100 mn pop.

Source: United Nations World Population Prospects, The 2010 Revision

2010	2020	2030	2050
<b>Africa</b>			
10.2	12.8	15.6	21.9
<b>India</b>			
12.2	13.9	15.2	16.9
<b>Central and Latin America</b>			
5.9	6.5	7.0	7.5
<b>China</b>			
13.4	13.9	13.9	13.0

# Progress of MDGs Goal 1: Halving Extreme Poverty by 2015

Regions	1990	1999	2005	2008	2010	2015 (proj.)	Annual Avr. (1990–2010)
<b>Poverty Ratio (% : Pop. Proportion Living below 1.25 USD/day)</b>							
East Asia & Oceania	56.2	35.6	16.8	14.3	12.5	5.5	4.11
Europe & Central Asia	1.9	3.8	1.3	0.5	0.07	0.4	4.01
Central & Latin America	12.2	11.9	8.7	6.5	5.5	4.9	2.62
Middle East & North Africa	5.8	5.0	3.5	2.7	2.4	2.6	2.55
South Asia	53.8	45.1	39.4	36.0	31.0	23.2	2.65
<b>Sub-Saharan Africa</b>	<b>56.5</b>	<b>58.0</b>	<b>52.3</b>	<b>49.2</b>	<b>48.5</b>	<b>42.3</b>	<b>1.29</b>
<b>Total</b>	<b>43.1</b>	<b>34.1</b>	<b>25.0</b>	<b>22.7</b>	<b>20.6</b>	<b>15.5</b>	<b>2.96</b>



# Future of Japan -- Cabinet Office “Choice of Our Future” Committee: Interim Report

- Under the status quo, Japan will face very difficult challenges in the future.
- But, if our institutions, policies and mindsets change, it is possible to change Japan’s future.
- Japan’s scenario up to 2060 (with declining birth rates and aging)

<b>Population</b>	(2013) 127.3 million →	(2060) 86.74 million
Population decrease	2008~2013	▲160,000/year
	Late 2010s~early 2020s	▲500~00,000/year
	Early 2040s	▲1,000,000/year
<b>Aging</b>	(2013) 25%	(2060) 40%
With aging society, about 40% of the Japanese population will be over the age 65 by 2060 (less than 50 years ahead)		

→Bringing serious problems such as decreasing labor force, slowing economic growth, shrinking local communities, threatening fiscal sustainability (social security, tax revenues).

# Entry Points for Inclusive Business

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1. Providing solutions for social and development challenges faced by Africa (o/w: BOP business as an approach focusing on poorest segment of the society).
2. Exporting “Champion Products” (high-end, only one) for premium markets, by adding high value to locally available resources.
3. Creating linkages between mega FDI projects (often natural resources) and local SMEs.



# Providing Solutions to Social Challenges and Building National Systems

- Business can contribute to solving broad social and environmental problems, building human resources and national systems.



VAT collection system

**Medicines  
Drug**

**Educational  
Services**

**Off-grid  
Energy  
(solar, wind,  
bio, etc.)**

**Electronic  
Vehicles**



Building VC for recycling used cars



# BOP Business

- Business can build partnership with the poor (low-income groups), as consumers, producers, distributors and retailers, etc.



Nutrition improvement



Clean water system

Meeting Basic Needs of the Poor



Water purification PGα21Ca

Increasing Income of the Poor



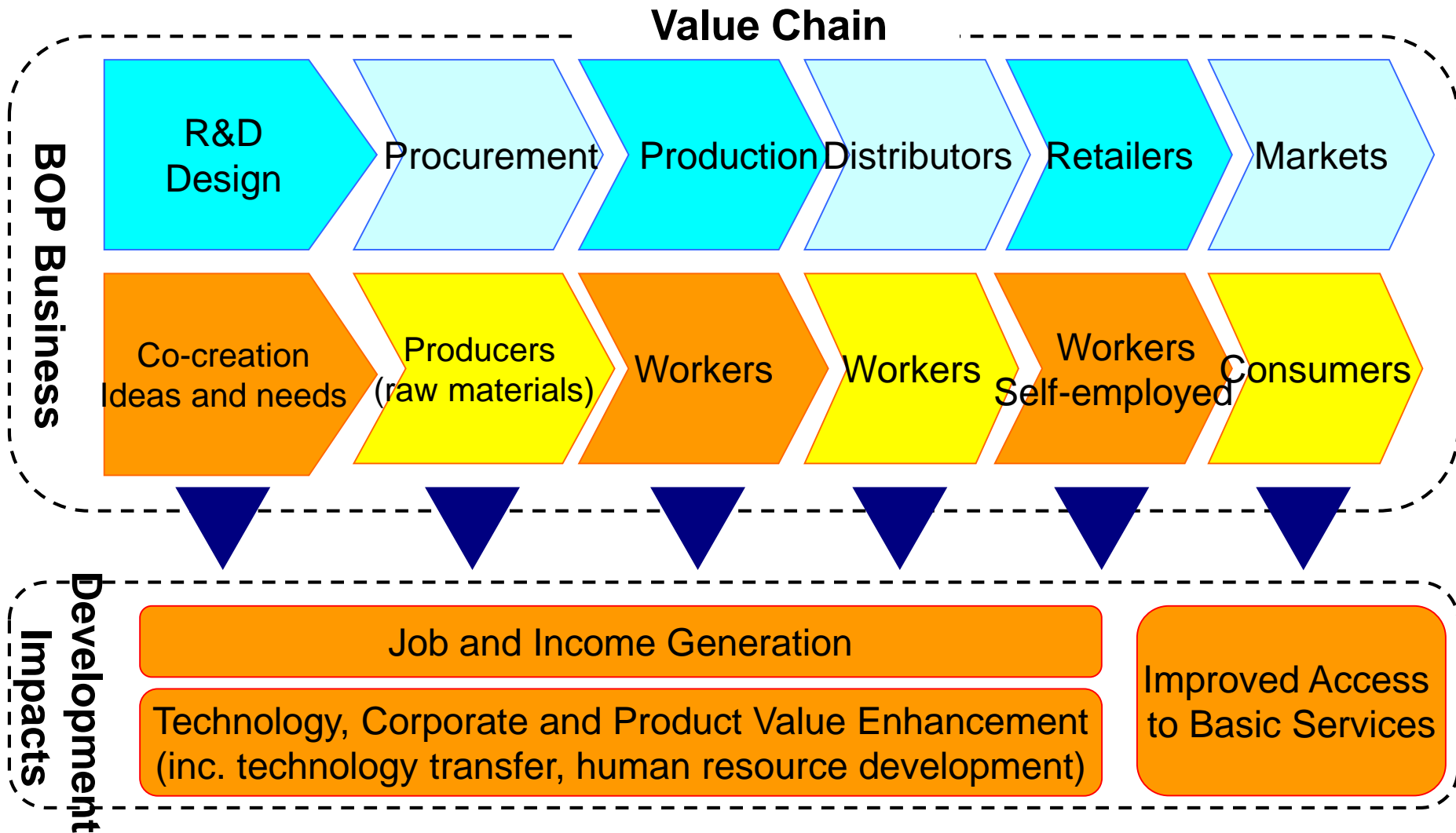
Organic vegetables (agriculture VC)



Solar Lantern

Improving Productivity of the Poor

# Value Chain Creation in the BOP Business



Source: JICA/PwC-ARUN (2013), Figures 4-16 (p.4-14) adjusted by the author

# “Champion Products” Approach

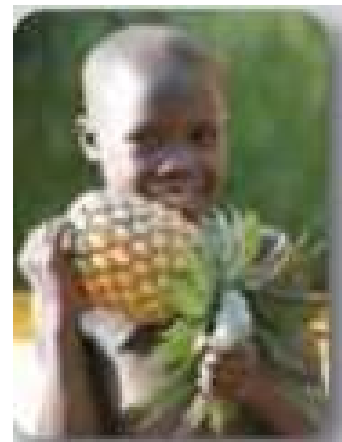
- Creating and exporting high-end and only-one products for premium-markets, by using the resources, culture and history nurtured in a particular country.
  - JETRO: Demonstration Program for Trade Development (FY2007-2013)
  - JICA: Experimenting “Champion Products” Approach in Ethiopia



Rwanda: Agaseke (Ruisse B)



Ethiopian: sheep skin bag (Andu Amet)



Uganda: Dry pineapple (Far East)



Pine Apple  
パイナップル

# Creating Linkages btw. Mega Projects and Local SMEs (esp. Resource-Rich Countries)

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- Strong desire by host-countries to achieve broad-based and equitable growth, by linking the local economy with mega projects (e.g., oil, gas, mining projects)
  - In addition to “traditional CSR” (community development, education, health services, etc.)
  - Mining FDI companies are increasingly engaged in local SME development and local procurement of services.
- IFC supporting “Linkages Programs” together with FDI and local governments, such as:
  - Mozlink (Mozambique)
  - Afalo Linkages Program (Ghana)
  - Copperbelt SME Supplier Development Program (CSSDP, Zambia)

# Key Drivers for Scaling-up and Success (esp. BOP Business)

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- ❑ Strong commitment of top management, linked with corporate business strategy (esp. big corporations)
- ❑ Strong local networks (e.g., partners, resources)
- ❑ Alliance with various external partners and open networking (bringing innovation, cost reduction, and reputation, etc.)
  - Need to clarify how social impacts are linked with economic benefits (⇒to raise awareness of top management)
  - Organizational features conducive to innovative thinking (⇒to foster creativity and field-based inspiration of staff)
- ❑ In addition, SMEs must cope with various risks and costs for doing business overseas
  - Providing “hands-on” support and advices
  - Supporting “venture business” with social impact investment, etc.

# There are leaders (individuals, organizations) who could act as “connection hub”... nearby

- ❑ Assets accumulated through decades of ODA and economic cooperation (e.g., JICA experts, JOCV volunteers, local partners)
- ❑ JETRO (local BOP coordinators), HIDA (ex-AOTS) alumni associations (local companies, businessmen, etc.), foreign students in Japan

**Kenya: JKUAT**  
(Jomo Kenyatta Univ. of  
Agriculture and Technology)

Joint research  
(Pro-Japanese  
faculties  
& students)

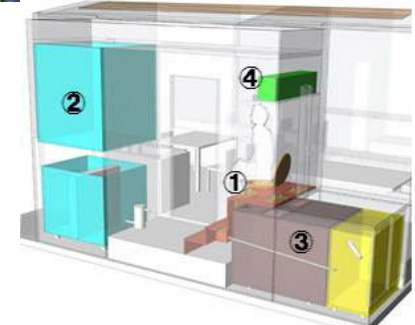
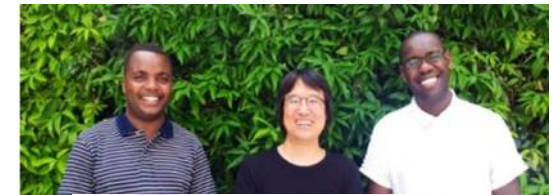


Nisshin Oishii Project

NPO Core Road  
Empowerment  
(ex-JICA expert)



OSA Japan  
(ex-JICA expert)  
with Kenyan experts



Eco-friendly toilet, LIXIL



# Role of Aid Agencies, International Organizations, and NGOs

- Information and local network
- Financing feasibility studies and pilot testing
- Procurement of products and transportation
- Project management and operations, esp. in conflict-affected areas
- International recognition and reputation
- Policy dialogue with governments in partner countries to improve business climates (hard and soft)
- There are cases where international organizations and Japanese govt. /aid agencies collaboratively support BOP business.



Sumitomo Chemical  
Anti-Malaria bed nets:  
Procurement & distribution  
(WHO, UNICEF, METI, JICA, etc.)



Polyglu: Water purification in Somalia  
(MOFA, JICA, IOM, NGOs etc)



SARAYA: Handwashing soap  
(UNICEF, WHO, JICA etc.)

# What are Japan's Comparative Advantages in BOP/Inclusive Business ?

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- Japanese features——common to business and development aid
    - Sensitivity to culture and society of partner countries
    - Equal partner, emphasis on field-work through joint work; ultimately “self-help effort” of partners
    - Technology
    - Total quality, including aftercare and services
  - Broad menu of industrial development cooperation (relative to other donors), offered by JETRO, HIDA and JICA, etc.
- *Japan can make unique contribution to Africa and globally, through BOP/inclusive business !*



# African Perspectives: Japan as Quality Leader of Business Activities



## Ethiopia PM Halemariam (AU Chair@TICAD V)

- Strongly welcome Japanese companies (esp. manufacturing)
  - Expect Japanese FDI as Quality Leader (not, Quantity)
  - Appreciate Japanese companies to bring and share Japan's value system, work ethics, quality (*kaizen*).
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- Japanese FDI have unique features, with strong attention to long-term and *monozukuri* (manufacturing) orientation, human resource development of partners, compliance, etc.
  - PM Abe's speech of African policy (@AU in Addis Ababa, January 13, 2014)
    - Strengthening Each Individual, One by One; Kaizen Philosophy