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# TICAD 7
# START OF A NEW ERA FOR JAPAN AND AFRICA

JETRO

Japan External Trade Organization

# TICAD 7 Official Side Event

JAPAN • AFRICA

Business Forum & EXPO

## BUSINESS FORUM

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| Date & time: | August 29, 2019 13:00 – 18:00 (tentative) |
| Venue: | Queens Grand Ballroom, Yokohama Bay Hotel Tokyu |
| Concept: | Top executives from Japan, Africa and other foreign countries active at the forefront of African business will introduce the latest trends and partnerships in African business to spur new opportunities. |
| Registration: | Registration starts on **22 July 2019** and is free of charge |
| URL: | https://www.jetro.go.jp/en/events/jabfe2019/forum.html |

## BUSINESS EXPO

| | |
|---|---|
| Date & time: | August 28-30, 2019 |
| Venue: | Pacifico Yokohama Exhibition Hall D |
| Concept: | The Business Expo consists of the “Japan Fair,” “Africa Lounge” and “Event Stage,” and will provide the latest information on business in Africa and opportunities for multifaceted interaction between Japan and Africa. |
| Registration: | Registration starts on **22 July 2019** and is free of charge |
| URL: | https://www.jetro.go.jp/en/events/jabfe2019/expo.html |

**(1) Japan Fair**

- Japan Fair will display products, technologies and services presented by Japanese companies.
- 157 Japanese companies from 27 prefectures registered. Click here for the list of companies.

**(2) Africa Lounge**

- Showcase of business environments and opportunities by African countries.
- Broad range of information on promising industries and investment opportunities.

**(3) Event Stage**

- Various thematic seminars will be held on the stage to let the visitors discover more potential of each African country.

JAPAN JETRO Japan External Trade Organization

TICAD YOKOHAMA 2019

# TICAD 7
# Start of a new era for Japan and Africa

The seventh edition of the Tokyo International Conference on African Development (TICAD) takes place in Yokohama from 28 to 30 August. Created in 1993, it was held every five years up to 2013 and is now held every three years, alternating between Japan and Africa. It is easily the most important meeting between Japanese and African political, business and social leaders.

The Japanese government has also traditionally used the occasion to set into motion a new direction in the relationship between the two entities based, more often than not, on the prevailing global dynamics as well as on the mutual areas of interest and cooperation between Japan and Africa.

TICAD therefore is a barometer of the level of historic relationship between the two entities and an invaluable opportunity to review and reflect on that relationship and agree on mutual priorities for the next three years. As such, and given the longstanding economic and diplomatic ties between Japan and Africa, TICAD is viewed in most African capitals as one of the continent's most significant summits with a foreign power.

In this special report, we examine in detail what the relationship with Japan means to Africa and the role is it is playing and will play as the continent continues on its path of economic emancipation and modernisation.

The report was produced with the support of the Government of Japan. The editorial and content were produced independently of the State.

The Tokyo International Conference on African Development (TICAD) has become a major forum for the promotion of African development. **Neil Ford** looks back at what the meetings have achieved over more than 25 years and examines the agenda for this year's edition in Yokohama, Japan

# TICAD – empowering Africa through high-level policy dialogue since 1993

The Seventh Tokyo International Conference on African Development (TICAD) is co-organised by the government of Japan, the United Nations (UN), the World Bank (WB), the United Nations Development Programme (UNDP) and the African Union Commission (AUC).

TICAD was launched in 1993 to create a forum for high-level policy dialogue between African leaders and development partners – for more on the background to relations between Japan and Africa that led to its inception, see overleaf.

The conference was held every five years from 1993 until TICAD V in 2013. Since TICAD VI in 2016 it has taken place every three years, alternating between Africa and Japan.

TICAD seeks to empower the continent and its people by promoting African ownership and partnerships between the international community and African countries. It has now grown to become an important global framework for the promotion of African development, bringing together a wide range of stakeholders, including African and Japanese governments, international and regional organisations, donor nations, private sector companies and civil society.

Participants at TICAD I in 1993 pledged to halt the decline in development assistance to Africa that had begun at the end of the Cold War, while TICAD II focused on poverty reduction and the integration of Africa into the global economy.

TICAD's support for the African Union's New Partnership for Africa's Development (NEPAD) was the headline at the third conference, while the Yokohama Declaration was made at TICAD IV, providing a political commitment to African development. TICAD IV also addressed three priority areas: boosting economic growth; ensuring human security and tackling environmental problems, such as climate change.

## Breakthrough in Yokohama

TICAD V in 2013, which was held in Yokohama and which was attended by the leaders of more than 50 African countries, marked something of a breakthrough in size and scope.

Japanese Prime Minister Shinzo Abe pledged $32bn in Japanese public and private investment to be made in Africa over five years, including $14bn in official development aid.

Abe had signalled his interest in the continent by embarking on a tour of African states just a month after taking office in January 2014. Japan's Prince Akishino and Princess Kiko visited Tanzania and Zambia in the same year.

Abe triggered the new focus on encouraging private sector investment at a meeting in Addis Ababa, when he said: "The African nations are no longer in need of aid. The region's human resource development and infrastructure improvement are both attractive investments for the future… They are made for Japan to grow together with the African countries."

Discussions at TICAD V, which marked the 20th anniversary of the TICAD process, were based on the three interrelated themes of a Robust and Sustainable Economy; an Inclusive and Resilient Society and Peace and Stability.

**TICAD has grown to become an important global framework for the promotion of African development, bringing together a wide range of stakeholders**

A wide range of programmes and measures announced at each conference were implemented over the following years, turning TICAD into a focus for development rather than merely a gathering of the international community.

The sixth edition of TICAD was the first to be held in Africa, in Nairobi, and was attended by a record 11,000 people and 77 organisations, including Japanese companies and universities. Conference discussions in Nairobi centred on promoting structural economic transformation, promoting resilient health systems and promoting social stability for shared prosperity.

See overleaf for highlights of TICAD 7.

## Soft power

Tokyo has generally favoured the use of soft power in Africa, through diplomacy, social engagement and partnership. For example, the African Business Education Initiative for Youth (ABE Initiative) was announced at TICAD V in response to the desire to develop human resources in both the public and private sectors and has now firmly bedded in.

It offers African students the opportunity for professional education at graduate schools throughout Japan and to receive internship training at Japanese companies that operate in fields that benefit industrial development in Africa. The total number of ABE initiative participants has reached at 1,219 students.

Africa offers huge and growing markets for a wide range of goods and services, while it has a big untapped workforce that could support operations by Japanese firms keen to expand overseas. Many Japanese companies support localisation and technology transfer, helping local businesses to grow.

Japanese Prime MInister Shinzo Abe looks on as President Uhuru Kenyatta of Kenya (l) and President Idriss Deby (r) of Chad shake hands at the end of TICAD VI in 2016.

# The background to TICAD

**Anver Versi** explains the developments that led to the creation of TICAD in 1993

By the 1960s, Japan had emerged as one of the world's economic superpowers and it started to flex its diplomatic and soft power muscles, along similar lines adopted by the US and other Western nations as well as the USSR.

But while the West and the USSR, locked in the Cold War, vied for strategic control, Japan directed its efforts towards supporting economic growth, through its overseas development aid programme in its rapidly expanding markets first in Southeast Asia and from the 1960s, in sub-Saharan Africa.

## Sea-change in attitude

There was a sea-change in attitudes towards Africa in the 1990s. It had become clear that the apartheid regime in South Africa was on its last legs and that independent Africa was not only a vital source of raw materials but potentially an economic partner.

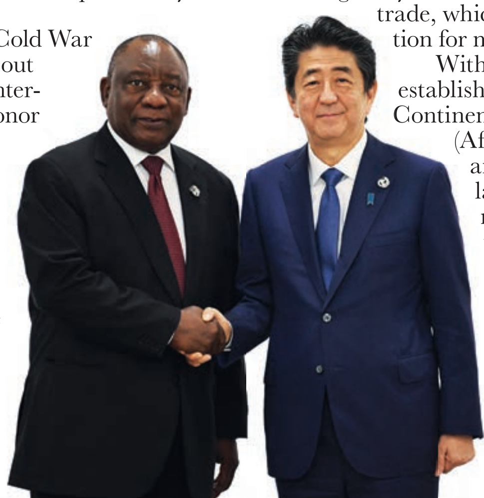
The end of the Cold War had also brought about a sharp decline in international bilateral donor support for African countries. This turned out to be an opportunity for Japan to position itself as a genuine development partner willing and able to transfer technology and modern processes.

Japan's emphasis on partnership, in direct contrast to the often overbearingly prescriptive stance of Western aid donors, found a ready welcome in Africa. It was then a logical step to organise a summit level conference in Japan and this became TICAD I in 1993.

Since then TICAD has evolved, adding another layer on previous commitments and agreements every at each summit meeting and strengthening the bonds between the two entities.

While Japan's aid disbursement has been generous, given its own economic rollercoaster over the past decade, the focus of discussions have been gradually shifting away from aid to investment and trade, which is the preferred option for most African countries.

With the agreement establishing the African Continental Free Trade Area (AfCFTA) now signed and sealed and a much larger, more integrated market in the works, this year's TICAD will have a keener edge, especially for Japanese companies looking to expand their exports and African economies in search of more cutting edge technological solutions.



**Below: President Ramaphosa of South Africa and Prime Mnister Shinzo Abe of Japan. The two countries have been close economic partners since the demise of apartheid.**

## JAPANESE DEVELOPMENT SUPPORT

**Between 2008 and 2018, Japan provided $102m to UN peace and security programmes, including almost $54m to the United Nations Development Programme (UNDP) in order to reinforce PKO training centres in Africa.**

**Tokyo has promoted cooperation between different Japanese development bodies – both with each other and with other organisations. For instance, JICA works closely with the Japan Bank for International Cooperation (JBIC) and also has a cooperation agreement with the NEPAD relating to infrastructural projects and agricultural development.**

**In May, the JBIC, the Nippon Export and Investment Insurance (NEXI) and several private financial institutions agreed to provide the Eastern and Southern African Trade and Development Bank with a 20-year $350m export credit line.**

**The money will be used to finance machinery and equipment imports from Japanese companies. JBIC says: "This credit line is being set up to financially support the efforts of Japanese companies and their overseas affiliates to expand exports to this region. It is also expected to help further strengthen the economic relationship between Japan and Sub-Saharan Africa."**

**NEXI is expected to sign a memorandum of understanding with the African Trade Insurance Agency and Islamic Development Bank at TICAD 7 to provide 100% trade insurance for infrastructure projects in Africa. The facility is expected to be launched by the end of this year, with NEXI providing 85-90% coverage, with the remainder supplied by the other two agencies.**

## TICAD 7 – HIGHLIGHTS

**TICAD 7 will focus on the promotion of private investment. It will also focus on human resources development, vocational training and the growth of small and medium-sized enterprises (SMEs) as it has done in the past and which is a major feature of the Japanese approach to aid.**

**Japanese SMEs, the backbone of the Asian nation's economy have so far been reluctant to venture into Africa. This is largely because they do not have sufficient knowledge of the opportunities presented by Africa.**

**TICAD 7 will provide African countries with an excellent platform to finalise potential partnerships with Japanese companies and investors.**

**The three discussion pillars for TICAD are:**

- **Accelerating economic transformation and improving the business environment through innovation and private sector engagement. Key areas include economic diversification and industrialisation; debt transparency and sustainability; quality infrastructure; and investments in agriculture and the blue economy.**
- **Deepening a sustainable and resilient society by focusing on health, education, environment and disaster risk reduction.**
- **Strengthening peace and stability, including issues over institution building and good governance refugees and internally displaced people.**

**Participants**

**On the occasion of TICAD, a variety of business-related events are organised. For the first time in the history of TICAD, the representatives of the private sector of Japan and Africa will participate in a plenary session called "Public-Private Business Dialogue", held in the National Convention Hall, which will be attended by an audience of 3,000.**

**In addition, JETRO will organise the "Business Forum & EXPO", in which 158 Japanese companies that operate in or have an interest in Africa will exhibit their products or technology. This will provide momentum and opportunity for business people from Africa and third countries to promote business relationships with Japan.**

**Japanese companies generally invest in areas where their counterparts are already active, so it is vital that all parts of the continent seek to publicise their attractions at events such as TICAD.**

Japan is seeking to diversify the range of its trade partners in Africa and encouraging SMEs and startups to invest in the continent, as **Neil Ford** reports

# Japan expands its trade and investment in Africa

On the back of the Tokyo International Conference on African Development (TICAD), Japanese cumulative FDI in Africa increased from $3.9bn in 2007 to $10bn in 2016. The big challenge will be diversifying the range of the country's trade partners in Africa beyond the handful of countries that currently dominate Japanese trade relations with the continent – South Africa, Morocco, Kenya, Egypt, Ghana and Nigeria.

In 2017, Japan exported goods worth $7.5bn to Africa, including $2.5bn to South Africa, and imported $8.3bn, of which 57% came from South Africa, including iron ore and platinum.

The two biggest sectors for Japanese investment in Africa are mining and hydrocarbons, particularly in Mozambique, where Mitsui & Co has invested billions of yen in coal and gas projects.

Such investment is backed by the Japan Oil, Gas and Metals National Corporation (JOGMEC), which works to ensure "a stable supply of natural resources to Japan".

**The big challenge will be diversifying the range of the country's trade partners in Africa beyond the handful of countries that currently dominate Japanese trade relations with the continent**

Although commodity investments have become more uncertain since the commodity price downturn of 2014-17, they are still likely to lead the way on Japanese investment in Africa for the foreseeable future.

The most important Japanese exports to Africa over the past decade have been motor vehicles. Toyota and Nissan dominate the roads from Cairo to Cape Town. Japanese electronic goods, particularly TVs are also hugely popular in the continent. There is also a thriving business in quality second-hand cars, particularly in the countries of Anglophone Africa, which like Japan use right-hand drive vehicles.

In addition, Japan has been the biggest Asian project finance sponsor in Africa over the past five years. M&A activity by Japanese firms in Africa has generally been fairly limited, although Nippon Telegraph and Telephone bought South

**Below: Coal production at a mine in Mozambique, one of the countries that has drawn most Japanese investment in mining and hydrocarbons.**

Africa's Dimension Data for $3.2bn in 2014.

Tokyo is encouraging the expansion of Japanese SMEs and startups in Africa (see below), but the number of big Japanese firms investing in Africa is also increasing, from NTT in the IT sector to Kansai Paint in the paint and coatings sector.

Toyota Tsusho Corporation has one of the most comprehensive networks on the continent, with a sales network covering 53 African countries and a variety of sectors in addition to the automotive industry.

Japanese firms still tend to be reluctant to invest in a region where they have little experience.

As Katsumi Hirano, executive vice president of the Japan External Trade Organisation (JETRO), told the *African Law & Business* website in March: "[Japan] enjoyed a long historical economic relationship with our neighbour nation countries. So [Japanese companies] see much more potential still in the Asian region. That is one reason why the Japanese commitment in Africa is so low".

However in the run-up to TICAD 7 more and more Japanese companies are becoming interested in Africa. The Japan Business Council for Africa has been created as a platform for the private sector.

### Made for Africa products

The number of Japanese companies operating in Africa has increased from 520 in 2010 to 796 in 2017, but the Japanese government hopes to greatly increase that figure in the near future.

"There are, of course, Japanese companies that have built up robust business foundations in Africa," said Hirano in a recent article published by the Association of Japanese Institutes of Strategic Studies. "A distinctive feature of these companies is that they have secured human resources through aggressive M&A. The problem lies in the small number of such global Japanese companies."

He said that while the number of global Japanese companies dropped off after the resource boom came to an end, "the outcomes of up to 1,000 new investments made in Africa each year greatly impact the level of presence of companies from around the world, and this is where the investment efforts of Japanese companies are vulnerable." As a result, Tokyo is encouraging Japanese SMEs and startups to invest in Africa.

Some ventures have been launched as development projects with donor support but with the expectation that they will operate commercially in the longer term. For instance, Nippon Biodiesel Fuel, a Japanese startup, last year launched AgriNet in parts of Asia and Africa to connect farmers with banks and a wide range of stakeholders in the agribusiness sector. Farming

## MOROCCO LURES AUTOMOTIVE INTEREST

**A number of Japanese suppliers have invested in Morocco to take advantage of the country's growing automotive industry. Morocco produced 376,826 vehicles in 2017, making it the second biggest centre of vehicle assembly on the African continent after South Africa. A total of 26 automotive investment projects had been launched by the end of 2017, collectively worth $1.45bn.**

**Rabat has set a target of boosting this figure to 1m a year by 2025, which would put it in the top 15 automotive producing nations in the world. Two manufacturers have set up vehicle production plants in the country: Renault and PSA, which owns brands such as Peugeot, Citroën, DS, Opel and Vauxhall. It is the former's investment that is most relevant to Japanese investors because of Renault's inclusion in the Renault-Nissan-Mitsubishi alliance. Research by African Business Partners in 2017 found that there are 35 Japanese companies doing business in Morocco, the third most of any African country, after South Africa, Kenya and Egypt.**

**The presence of what has become the biggest container port in Africa, Tanger Med, is one of the country's main selling points. The port, which is located just 16km from the European continent on the other side of the Strait of Gibraltar, currently has more than 85 Original Equipment Manufacturers. The city is becoming an important centre for component suppliers to European vehicle plants. Tangier Automotive City has been created close to the**

Above: Japanese cars on display. A number of Japanese automotive manufacturers and suppliers have been investing in Morocco (see box, left).

**port to give manufacturers easy access to markets around the world.**

**Most recently, Mitsui Kinzoku ACT has begun building a car lock plant with a 5,600 sq m production centre at Tangier Automotive City at a cost of €12.5m. It will eventually employ 300 staff and will supply the Renault-Nissan-Mitsubishi alliance. The world's biggest manufacturer of power-assisted steering systems, JTEKT, has set up a factory in Tangier with initial production capacity of 230,000 units a year. A spokesperson for the Tanger Med Special Agency (TMSA) said that the investment "further strengthens the competitiveness of the automotive sector firmly established within Tanger Med."**

villages in Mozambique can also secure financing through the website.

The UN's World Food Programme is investing $3.5m in the project in Mozambique over three years but Nippon Biodiesel expects the venture to be operating commercially after that time.

Farmers within a single village can also band together to sell their crops via the AgriNet platform, once they have established themselves as reliable partners on the website.

Microfinance providers can supply the data needed to establish a potential client's creditworthiness. Payments are made by money mobile and it is hoped that the income of participating farmers will increase by at least $1,000 a year.

Japanese energy startup WASSHA provides off-grid electricity through solar PV kiosks operated by local partners that allow solar lamps, mobile phones, tablets and radios, among other devices, to be charged for those without access to electricity at home.

The kiosks are equipped with a PV panel, battery, the WASSHA power device with USB ports and a smart phone as a controller. Customers can buy power through mobile money, meaning that no physical money actually changes hands, while agents lease rather than buy kiosks and the associated technology, removing the need for upfront investment.

WASSHA's technology allows agents to check all transactions, including sales and customer information, via remote management, while the level of charge in the kiosk battery can also be monitored remotely.

Yamaha Motor has developed a water purification system following research and development in Africa and Asia over a decade. The Yamaha Clean Water Supply System requires no replaceable filters, high power consumption or maintenance by skills technicians.

Water is stored in a pre-treatment tank where silt, mud and other debris are removed. A chlorine solution disinfects the water, before metals and bacteria are removed by sand filtration and a microbial biofilm.

The system is already being used in Angola, Cameroon, Democratic Republic of the Congo, Republic of Congo and Ghana. Some of the villages with the system are able to sell their surplus potable water to neighbouring villages.

## Major infrastructure projects

At TICAD VI, Tokyo committed to supporting $30bn in public private investment in infrastructure between 2016 and 2018. Infrastructure projects funded by Japanese aid and undertaken by Japanese companies generally have a reputation for the high quality of the construction and engineering work undertaken.

The transport sector in particular has benefitted from this injection of capital. Last October, the new $140m bridge over the Nile was completed in Jinja, Uganda, with lending from the Japan International Cooperation Agency (JICA).

The bridge is located on the main highway that links inland countries of East Africa such as Uganda, Rwanda, Burundi and eastern Democratic Republic of Congo with the Port of Mombasa in Kenya. Ensuring the bridge's construction had long been a priority for the government of Uganda, as a lack of capacity on the existing Nalubaale Bridge had caused congestion.

At the opening ceremony, Yutaka Fukase, the chief representative of the JICA Uganda office said that JICA had emphasised safety, the environment and social concerns on the construction project.

A large slice of infrastructure funding has been directed at the port sector. JICA has financed the construction of new container terminals at the ports of Nacala in Mozambique and Mombasa in Kenya in the form of both loans and grants. Japanese interest in Mozambique is partly driven by demand for coal and so port development has been complemented by financing for the associated coal railway.

Two Japanese companies, Penta-Ocean Construction Co Ltd and Toa Corporation, have been awarded a series of contracts to develop the Port of Nacala, including one for Y25.6bn ($232m) last year to dredge the access channel, reclaim land for the new container terminal and provide rail access. Nacala is reputed to have the deepest natural harbour anywhere on the east coast of Africa.

Japanese interest in Southern African coal increased after the 2011 Fukushima nuclear disaster saw nuclear power production fall and coal imports rise as demand for thermal power production increased.

Mozambique is doubly of interest because it will become a globally important liquefied natural gas (LNG) exporter within five years: aside from nuclear power, coal and LNG are the bedrock of the Japanese generation mix.

In 2013, Japan's Ministry of Economy, Trade and Industry identified Mozambique as one of its most important potential energy suppliers. Apart from the power sector, Brazilian firm Vale's Moatize mine supplies Nippon Steel & Sumitomo Metal with coking coal for steel production. ■


Japanese companies have invested across the food chain in Africa, including in packaged goods.

## INVESTING IN THE FULL FOOD CHAIN

**There has been a succession of big agribusiness investments by Japanese companies in Africa over the past few years, often by buying stakes in established operators. They have been attracted by Africa's increasing population and particularly the growing number of middle class people. In 2015, Mitsubishi bought a 20% stake in agri-trader Olam International for $1.1bn. The Singapore-based firm, which trades in a wide variety of commodities, including rice, coffee and cocoa, selected Mitsubishi in a competitive bidding process because it hoped that the Japanese company's processing and manufacturing operations would dovetail with its trading network.**

**Japan's Sanyo Foods took a 25.5% stake in Olam's instant noodles business in 2013, then 25% equity in Olam's packaged foods business for $187.5m the following year. Its packaged foods operations cover a wide range of goods, including fruit juices, biscuits, tomato puree and seasonings. The two companies are seeking to make use of their respective distribution networks.**

**In particular, Olam and Sanyo are seeking to build market share in Nigeria. Mahadevan Ramanarayanan, Olam's president and global head of packaged foods, said: "With Sanyo's noodle expertise this meant we could grow the instant noodles business at a much faster rate, bringing out new flavours and new products. In particular, we focused on developing flavours that corresponded to well-loved Nigerian local dishes, coming up with innovative formats in the noodle cake and also how we could make the product more convenient given the Nigerian and Sub-Saharan context. "**

**In March 2018, Mitsui & Co bought a 30% stake in Dubai-based ETG, which trades in agricultural produce, fertilisers, seeds and agricultural chemicals, predominately in East Africa but also more generally on the continent. The $265m acquisition will allow Mitsui to market seeds and fertiliser specifically designed for local soil conditions, as well as its irrigation systems. ETG also has storage, processing and manufacturing operations in 36 countries. Mitsui is attempting to position itself as one of the biggest players in the global agricultural commodity trading sector. It has already bought a 50% stake in US soy company Bluegrass Farms and taken over global vegetable seed firm Top Seeds 2010.**

**In the same way, Toyota Tsusho completed its first fertiliser blending plant in Kenya in 2016 to produce a balanced blended fertiliser designed for Kenyan soil types to avoid low harvests and the acidification of farmland. Toyota Tsusho Fertilizer Africa worked with Moi University and several NGOs to produce what is now called Baraka Fertilizer. The factory in Eldoret, in western Kenya, is designed to reduce the 600,000 tonnes of fertiliser that the country imports every year, as well as boosting agricultural production. It is now also developing specific fertilisers for sugar cane and legumes, and is seeking to expand its operations in Uganda and Tanzania.**

## A FIRST FOR SUMITOMO IN AFRICA

**Sumitomo Corporation has invested in its first independent power producer (IPP) in Africa – the 350 MW Kpone IPP in Ghana's biggest port city, Tema. When completed, Kpone will be a combined cycle gas turbine plant accounting for about 10% of total Ghanaian power production, but it could also run on diesel or fuel oil. Ghana's economy has grown rapidly over the past decade and more generating capacity is needed to ensure that domestic and industrial power supplies are maintained.**

**Total project costs are put at $903m, although this figure could include transmission infrastructure, out of which the private sector is contributing $685m, including $447m in the form of debt. Sumitomo was the second biggest equity investor with $69.7m, alongside partners Cenpower Holdings, the Africa Finance Corporation, Mercury Power and FMO, which is the Dutch development agency.**

**Funding for the project also came from two facilities managed by the multi-donor Private Infrastructure Development Group (PIDG): InfraCo Africa and The Emerging Africa Infrastructure Fund (EAIF), plus the Technical Assistance Facility (TAF) Cenpower Generation Company is the special purpose vehicle set up to develop the project. In a statement, Cenpower said: "It will be amongst Ghana's most fuel efficient thermal power stations and once in production, the power plant will become a critical base load component in meeting Ghana's growing electricity demand."**

**Construction of what will be the first licensed IPP in Ghana began in 2015 and was originally scheduled for completion in 2017 but a dispute with Group Five Power Projects, which was awarded the engineering, procurement and construction (EPC) contract and claims over contaminated fuel have held up development. The EPC contract was eventually cancelled in December 2018. All output from the plant is to be sold to the Electricity Company of Ghana for nationwide distribution.**

**At the other end of the scale, Sumitomo Corporation Africa bought an unspecified stake in M-Kopa, a "pay-as-you-go" solar PV business in December 2018. Customer pay a small weekly fee via mobile phone in return for a solar panel, battery and charging connections to provide electricity for light bulbs, mobile phones, radios and laptops. Larger systems can even power fridges and TVs. Electricity has been provided to millions of people living off-grid in rural areas or city suburbs that are unconnected to their national grids, particularly in East Africa.**

TICAD 7 reflects Japan's accelerated commitment to the continent. More Japanese countries are on the ground in Africa, but the challenge for them now is to capture market share, says **Christopher Marks** of MUFG Bank

# Japan has come to Africa

Japan has come to Africa. And Africa is coming to Japan. TICAD 7's welcome to the continent's senior politicians, public sector officials, development finance institutions, and private sector representatives will serve as a vital platform for formal, ritualised exchanges of MoUs as well as the closure of long negotiated transactions.

Anyone who has been working with any of Japan's public agencies, megabanks or private corporations over the past six months will be well aware that Yokohama has usefully focused minds and sharpened pencils to get deals across the line by end-August.

Symbolically and substantively, TICAD 7 evidences Japan's accelerated commitment towards the continent, marked by ever shortened intervals between the, now, tri-annual conference. Until TICAD V in 2013 the conference was held every five years since 1993 in Japan. And since TICAD VI in Nairobi in 2016 the event alternates between Japan and Africa every three years.

While TICAD remains an important occasion for high-level political liaison and engagement – the event is hosted by Prime Minister Shinzo Abe and organised by the Ministry of Foreign Affairs in cooperation with the African Union – Japan's footprint in Africa is more rightly understood through the ineluctable commercial advance of the country's corporations large and small.

## Japanese companies expand across Africa

There are an increasing number of Japanese companies operating in Africa, with an ever-broadening geographical spread across the continent (see map, right). But more interesting perhaps is the remarkable diversity of companies carving out a space for themselves in Africa, far beyond Toyota's ubiquitous vehicles and the familiar presence of Japan's globe-straddling trading houses in engineering, design and contracting consortia bidding for most of the continent's major infrastructure and hydrocarbon projects.

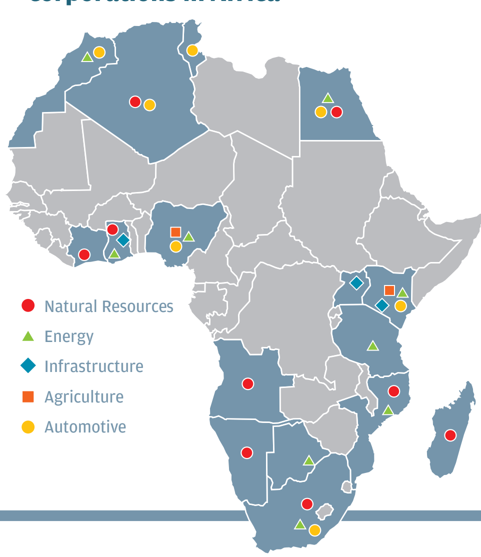
Take these wide-ranging examples. Nagoya-based Kagome has established a vertically integrated tomato processing operation in Senegal to enter the broader Ecowas market, a vision encompassing the full value-added chain from seed development to processing and distribution. Kansai Paint has made successive acquisitions to allow it to enter the EAC market and has even introduced the world's first mosquito-repellent paint in Zambia. And, true to Japan's global leadership in automotive technology, Panasonic automobile vision and connectivity subsidiary Ficosa has established a new production centre in Morocco and Rabat will become the Centre of Excellence in Automobile Cameras for the whole group.

Such anecdotal cases elide the subtle power of Japan's largest group's taking controlling stakes in some of Africa's most dynamic and established entities. Through CFAO, Toyota Tsusho now is engaged on the continent in sectors running from healthcare to elevators as well as operating middle class-targeted shopping centres in Abidjan. On entirely different register, Mitsui now has authoritative exposure in the sesame and high value grains market through its partnership with soft-commodity trader ETG.

The trajectory of Japan's overall financial flows into the continent, commercial and concessional, is unsurprisingly on the rise. ODA to Sub-Saharan Africa, comprising everything from social sector grants to regional infrastructure feasibility studies, is now some 15% of Japan's global ODA, twice the percentage directed to the continent at the beginning of the new millennium.

Commercial flows have followed suit. Japanese FDI into Africa has increased more than tenfold in nominal terms since the beginning of the millennium, doubling as a percentage of Japan's global FDI, and up some 20% over the past decade to reach around $9bn in 2018 (source all data: JETRO).

**Presence of Japanese corporations in Africa**




## Pragmatic and sustainable commitments

It is important to highlight that Japan's intensifying African embrace defines itself fundamentally as a public-private partnership with the continent, driven by the proactive engagement of Japan Inc. Concessional project development programmes and government export credit facilities have unquestionably facilitated this expansion, leveraging the balance sheet capacity of MUFG and its smaller banking peers. Japan has also understood the power of working through the continent's development institutions, made manifest as the AfDB's second-largest shareholder, as a two-step loan provider through TDB, DBSA, Afreximbank and others, and as a MoU partner of Africa Trade Insurance Agency.

Such pragmatic and sustainable commitments define Japan's approach in Africa, partnering to benefit from regional insight and access. Japan Inc. is pursuing a similar, iterative process of adaptation, balancing the delivery of long life-cycle high spec product with local requirements. Africa's fast-growing diversified economies have selective but ever expanding capacity to absorb such higher-margin expertise. More companies are indeed on the ground in Africa, but now they need to capture market share by identifying such receptive segments and overcoming the hurdles to capture them. This is the real task Japan has set for itself at TICAD.

*Christopher Marks is Managing Director and Head of Emerging Markets Corporate Banking EMEA at MUFG Bank*

Japan provides development assistance to a number of countries in Africa. **Tom Collins** spoke to representatives of the Japan International Cooperation Agency (JICA) to find out about its activities in Kenya, the agency's biggest recipient on the continent

# JICA supports Kenya's development

Known as the "living room of Africa", Kenya has long been a preferred destination for those looking to interact with the continent. With resilient markets, stable democracy and a growing middle class, the East African donor darling routinely attracts some of the largest sums of official development assistance (ODA) from Africa's increasing list of partners.

According to the Organisation for Economic Cooperation and Development (OECD), Kenya received the fourth largest share of ODA in 2016 behind only Tanzania, Nigeria and Ethiopia. Japan is keen to support this trend and Kenya has become its largest recipient on the continent. The Japan International Cooperation Agency (JICA), Japan's development organisation, has its largest African office in the Kenyan capital of Nairobi, employing over 60 staff.

Between April 2016 and March 2017, JICA, acting as a key conduit to Japanese interest, helped the Japanese government invest around $180m in Kenya. JICA distinguishes itself by the quality of its projects, which are designed to complement the development mandate of Kenya's president, Uhuru Kenyatta.

Almost halfway through his second term, President Kenyatta is racing to finish what he hopes will define his presidency: the big four agenda of manufacturing, affordable housing, universal health coverage and food security. JICA officials tell *African Business* in Nairobi that Japan has been focusing on these four areas.

"We cannot cover everything," says senior representative Satoshi Sugimoto. "But we try to pick up the high priority projects which complement the government at a local, national and county level."

The Northern Corridor transport system, which links Kenya's coastal port of Mombasa with Uganda and Rwanda, is one such project. The route is a key pillar of the government's development strategy as it works to make Kenya a transit hub for regional goods. JICA is expanding Mombasa's second container terminal and enhancing the road capacity to access the port. Elsewhere, the development agency is working to facilitate trade by building and enhancing one-stop border posts (OSBPS), the most recent of which is at Namanga on the Tanzanian border.

With limited public funds, JICA also believes it must act as a "catalyst" for the private sector. Japanese companies perform very well in construction and the red and white of the Japanese flag is easily spotted around the capital at key building sites. As the downtown traffic heads out to suburban areas such as Karen, a Japanese firm is in charge of renovating one of Nairobi's most congested areas – Ngong Road. Kaihastu Kogyo was awarded the $22.3m contract by the Kenyan Urban Roads Authority last year.

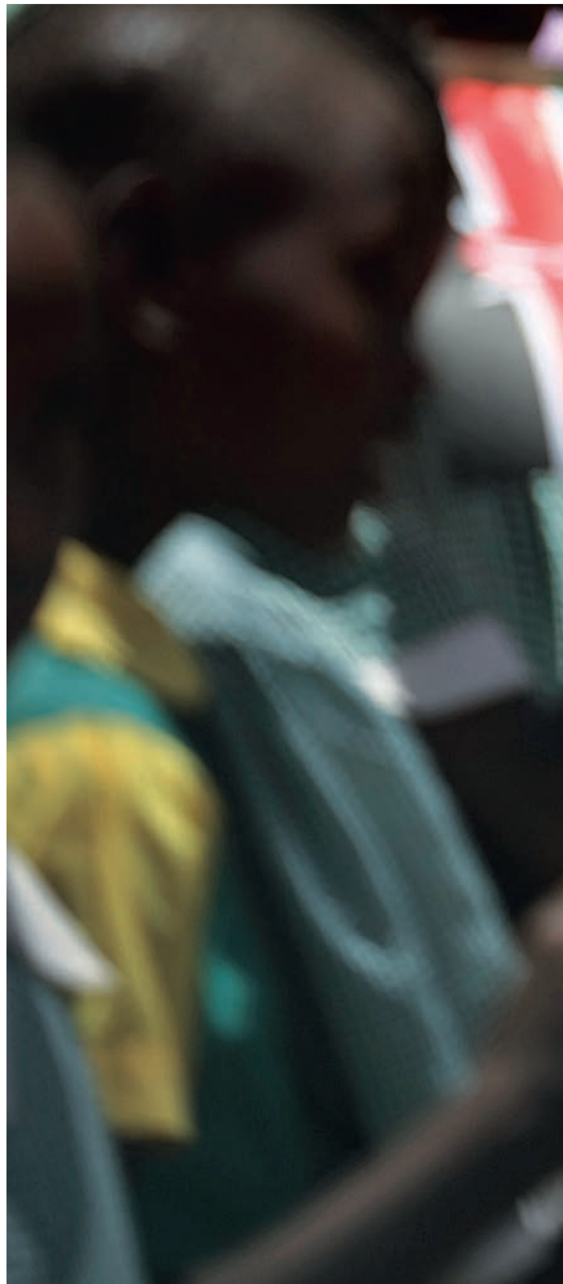
Sugimoto says Japan's distinctive approach to work gives its companies and its development agency a positive brand image, which may translate into a competitive advantage when bidding for contracts. *Kaizen*, which means "improve" in Japanese, is the guiding principle for most JICA activities. Along with the literal translation, the word exposes subtleties of the Japanese modus operandi which prefers a slow and steady approach towards a quality finish rather than a rushed project.

"It's very important to see infrastructure projects in the medium to long terms," says Sugimoto. "Even if it's one to two years for the construction this is much better than a quick fix. The high quality will contribute of the finished product will contribute to economic and social development in the longer term."

### Investing in education

As well as investments in physical assets, JICA also focuses on the grey matter. At

**Japan's distinctive approach to work gives its companies and its development agency a positive brand image**



the fifth Tokyo International Conference on African Development (TICAD) in 2013, Japanese Prime Minister Shinzo Abe announced the African Business Education (ABE) Initiative.

The programme gives African youth the chance to study a master's degree at a Japanese university along with an internship in a Japanese company. A total of 154 Kenyans have taken part so far and another five are expected to arrive in Japan later this year, making Kenya the largest beneficiary of the ABE Initiative in Africa. Japanese professionals are encouraged to come and work in the Kenyan private sector in return. Sugimoto explains how these exchanges are key for overcoming stereotypes and ultimately for encouraging the Japanese private sector to enter the Kenyan market.

"It's important to disseminate what the real political and economic situation in Africa is," says Sugimoto. "Because in Japan many people have a limited understanding of what is happening in Africa."

Shinjiro Amameishi, Sugimoto's colleague and fellow senior representative, says that despite the lack of information there has been increased interest from the private sector over the past decade.

"I've been involved with African development for around 10 years and 10 years ago it was really different," he says. "The investment from the private sector was limited but now they have started looking at Africa as a market. They started in the 2000s with original interest in mining, oil and gas, and coal. Now they are changing from mining to business activities. There is a big potential here in Kenya as the gateway to Africa."

JICA is also a key benefactor of the Jomo Kenyatta University of Agriculture and Technology (JKUAT), says Amameishi. The institution provides state-of-the-art equipment for science, technology and innovation (STI) learning such as a 3D printer and a laser cutter. This high-tech aspect mirrors Japan's reputation for one of the most technologically advanced countries in the world which could become a key area of collaboration going forward.

"JKUAT was founded 40 years ago by the assistance of the Japanese government," says Amameishi. "We continue to provide assistance and it is has turned into a brilliant university."

**Below: Kenyan school children wave Japanese and Kenyan flags. Kenya is a high priority for the Japanese government.**

### Abe effect

Since Abe entered office in 2012 there has been a concerted effort to open up Africa to Japan.

Katsutoshi Komori, JICA chief representative, says Kenya is a key priority within this mandate: "Kenya is a very high priority for the Japanese government. There are many Japanese here compared to other African countries and in terms of a diplomatic relationship we have had a very long relationship with the Kenyan government."

Yet as Japan enters a recession, the appetite for development assistance is waning and JICA reveals there are "limited public resources".

The representatives all agree that with reduced funding from Tokyo, the mantle now falls to the Japanese private sector to bolster JICA's work in Kenya. ■

TICAD 7 provides an opportunity to boost Japanese investment in Africa, but many Japanese investors still find the continent a risky bet. **Shoshana Kedem** talks to figures from the world of finance to find out what can be done to attract more international capital

# Japan eyes its last largest market

Japan can be a wary lender when it comes to Africa. The upcoming TICAD 7 summit, geared towards boosting Japanese investment in Africa, will provide a stage for countries, investors and policy-makers to expand their horizons on the continent.

In relation to the size of its economy, Japanese investment in Africa is low. Japan is home to some of the world's largest banks and deep pools of capital, much of which is invested locally and across Asia. Yet Japanese investors say a tightening of frameworks and regulations on the continent could improve the investment climate and drive up Japanese investment.

In 2016 direct investment by the world's third largest economy in Africa stood at $10bn, while UK investment was at $53.3bn, the US at $55.3bn, France $47bn and China $38.7bn.

### Land of opportunity

Ahead of TICAD 7, Japanese investors told *African Business* that while Africa offers a wealth of opportunity to investors in infrastructure, they still find the continent a risky bet based on political and economic uncertainty, and patchy regulatory frameworks.

Sumitomo Mitsui Banking Corporation (SMBC), a commercial bank currently engaged in structured finance of infrastructure, aviation and energy projects across the continent, said it has capital and liquidity ripe for African investment when the business and regulatory conditions are right.

The Japanese funding model differs from Beijing's in the respect that Tokyo-based banks such as SMBC have preferred working with export credit agencies such as the Japan Bank for International Cooperation, and the World Bank Group's Multilateral Investment Guarantee Agency (MIGA) to fund projects on the continent. SMBC is also working with development finance institutions (DFIs) and multilateral institutions like the African Development Bank (AfDB).

Past projects have involved SMBC and the AfDB sharing the risk of local African banks on a 50/50 basis under a 2016 trade-finance programme.

### Tightening regulation

Africa's investment climate would benefit greatly from clearer PPP laws, regulations, and frameworks that are in line with global standards, says Katsufumi Uchida, the executive officer and general manager, International and Structured Finance Department, Europe, Middle East and Africa Division, at SMBC. He adds that "PPP is not just magic", where you can acquire money from foreign investors. "It is something that requires commitment by African governments and, in some cases a nationwide legal framework restructuring to attract money from foreign investors."

Wild fluctuations in local currencies can also pose a risk, making local currency projects unpopular with foreign investors who are exposed to such currency risks. "Projects that have access to harder currencies such as the dollar, like export-orientated projects, are more attractive to investors," he tells *African Business.*

Some African countries offer a more attractive structure for investments where returns in local currencies are pegged to harder currencies, or indexed tariffs, like the US dollar or euro, making them less risky. "If a country has such a structure, they could attract more investment and debt financing. So SMBC sees opportunities in countries where they have such a structure."

Uchida says that "while the funding is there and liquidity is available, it is about finding the right bankable transactions."

An investor-friendly environment provides strong protections against political risks like resource nationalisation, confiscation, coups or political violence, he explains. "Policy consistency is extremely important and that is lacking in some countries as well. And that is tied to the political system, so sometimes when you have an election cycle, if you have a new government in place, their policies change, and uncertainty is something that investors don't like."

Uchida says that financial institutions such as MIGA can help absorb some of this risk and protect investors from these political and social shocks to investment. MIGA provides non-commercial guarantees against investment in developing countries. It insures investors against expropriation, war and a breach of contract, exactly the sort of concerns highlighted by financial institutions such as SMBC.

### Risk takers

In conversation with *African Business*, MIGA's executive vice president and CEO, Keiko Honda, says the agency is currently providing $1.9bn in guarantees globally, with African projects underway in Ghana, Zambia and South Africa.

Honda has seen investment models in emerging markets evolving in line with G7 and G20 nation groupings encouraging multilateral development banks (MDBs) to leverage more private investors.

"In my conversations with the many African governments I have been consistently and increasingly hearing their expectations for private investors to come in," she says. "Therefore, I think this is clearly the trend not only in the emerging markets side but also the African countries, including even low-income countries or fragile and conflicted states."

At the same time, financing models in Africa are also moving closer to the models seen in the rest of the world, including Asia, according to Honda.

"In some of the relatively lower income countries in Africa, a lot of bilateral organisations like OPEC are quite keen to extend the support, so we are encouraging private investors to find out the best solutions to essentially minimise the project cost so therefore host government can have a better benefit out of it. That is what we are still working on. For example, in the power sector, if the financing cost can be reduced, private investors can often charge lower tariffs to the people in the country who are actually the ultimate beneficiaries."

Another trend sweeping the continent is companies selling part of all of the shares in equity ownership of the project to other foreign investors with less experience on the continent post-completion, after five years or so of operations.

"This is deepening the pool of foreign investors on the continent, and could pose an opportunity for Japanese investors weary of entering greenfield projects," says Honda.

Since its founding in 1988, the institution has supported over $11bn of investment in Africa. "At this moment, we are covering 76 projects across all sectors in 26 member countries and our standing order in Sub-Saharan Africa as of June 31st is $5.8bn," she says.

One of MIGA's flagship projects currently underway in West Africa is the world's largest windfarm project, in Senegal, which will provide 450,000 megawatt hours of energy per year for over 2m people.

While Japanese investors are more used to investing in Asia for reasons of geographic and cultural proximity, they do understand that "Africa is the last largest market", Honda says.

As Japanese companies set their sights on the continent's booming population of consumers, Honda says she is keen to progress discussions with private Japanese investors on a number of agricultural projects in the pipeline at the upcoming TICAD conference. MIGA also looks forward to advancing discussions on the structures and models of investment financing on the continent with the Japanese government during upcoming talks.

### Making Africa work for Japan

One way to encourage Japanese financial institutions to invest on the continent would be corporates such as Hitachi involved in Africa projects sharing their successful experiences, Honda says.

She also recommends that African governments come up with the risk of the project that they are willing to leverage to private investors: "They are the people who know the needs of their people and also they know their financial capacity."

**Japanese investors say a tightening of frameworks and regulations on the continent could improve the investment climate**

She also advises governments seeking to tap into pools of international capital sitting in countries like Japan to set the appropriate power tariffs to ideally cover the cost of the project.

"If, whatever the reason, government cannot allow private investors to charge their costs, they have to come up with a bridge plan," she says.

Finally, it is essential for African governments to improve their investment climates. "They really need to have PPP laws or they need have agencies to kind of support one-stop-shopping for foreign investors or local investors to come in to go through the proper procedures with the government," she says.

In the run-up to TICAD 7 Honda also urges African countries to publish potential projects on their websites to give Japanese investors a chance to prepare and research questions to ask at the summit and inform their investment decisions.

SMBC agrees that it's fundamental for governments to be more transparent about potential projects: "Most of us who are equity investors would not want to look at one-off occasional projects. This means they would expect multiple opportunities in one sector, one place, one country. So, it is important for the government to show the list of projects to be implemented." ■

The Taiba N'Diaye windfarm in Senegal (pictured) will provide energy for over 2m people.

TICAD7 OFFICIAL SIDE EVENT

# AFRICA/JAPAN STARTUPS PITCH

## INNOVATION & NEW PARTNERSHIP FOR SDGs

9:30 - 14:30 30 August 2019
at PACIFICO Yokohama Exhibition Hall B

**PROGRAM**

Morning Session: **"Africa Startups Pitch"**
09:30 – 12:30

Afternoon Session: **"Japan Startups Pitch"**
13:00 – 14:30

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