Industrialisation in Africa and Donor's Functions as Facilitator

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Industrial strategy: Keys

• More than labour intensive manufacturing – services and agriculture also considered

• Clear and objective criteria to discover the industries through trial-and-error process

• Maintain transparency in the process

• Establish a process of P-P dialogue

• Support with discipline (punishment and exit strategy) and apply competition

• Policy measures can be scaled-up as institutional capacity develops
What are missing for African industrial policy execution?

- Role model to emulate
- Policy space -- narrow vis-a-vis Asia in 1970-80s
- Diverse development strategies (local context)
- Institutional capacities to implement 'full-scale' industrial policy
- Significant public-private partnership
A JICA assistance in investment promotion in Zambia (as until July 2008)

Objectives

• To transfer Asian experience to Africa

• To substantialise a country-led trade & investment promotion initiatives (and industrial development) through intensive face-to-face dialogues

• To materialise actual investments to Africa rather than just giving advises or recommendations

• To address "We know the problem and what to do, but not how to do"
**Approach**

- JICA-sponsored advisor—the former vice president of the Malaysian Industrial Development Authority

- Coordination and sharing of vision among three partners of development – political leaders, private sector and civil service

- Selected 12 priority sectors based on country’s existing and latent potentials – even the landlocked is conceived to be an advantage (sub-regional air cargo hub)

- FDIs from Malaysia and India and joint ventures have already taken place: mobile-phone factory, telecom, ICT college and specialised hospital …
Donor's function (1)

Information management

1. Ex ante information of client country: **what are needed**
   - First hand country study (qualitative & quantitative)
   - Inputs for designing plausible assistance strategy

2. Information of supply side: **who can supply what**
   - Comprehensive know-how (on different stages of development process)
   - Applicable to client country

3. Matching information: not just matching service
   - World-wide network
   - Lessons from past experience (successes & failures)
Donor's function (2)

Consulting

'Consulting Aid', like Business consulting service

- insight: the way the client country realise FDI-led industrialisation and economic growth
- to construct taylor-made strategies and pursue for tangible results
- to encourage client to develop better insights and further actions by producing continual results
Donor's function (3)

**Catalyst and Back-ups**

1. **Catalyst to enhance the effect of project**
   - financial support: infrastructure, industrial estate
   - technical support: operational know-how, business forum

2. **Logistics and 'Authority'**
   - JICA with diplomatic resources (with EoJ endorsement)
   - Contacts with investors
   - logistical support by JICA to reduce 'transaction cost' by giving authority and credibility
   - lobby for investment environment
   - Play-up at international arena
Not so sure about the donor's functions?

- 2nd generation PRSPs: a wish list with no priority, budgetary corroboration, consistency between the purposes and means.

- Gaps between:
  1. the proponents and opponents of the Washington Consensus policies in the failures of market and government
  2. Asia and Africa in industrialisation performance
  3. intention and implementation in industrial policy in many African countries
  4. in donor practices between 'telling what to do' and 'working with clients to show how to do'.

- Mere removal of market distortions do not bring substantial, tangible industrial development by its own

- Why did past industrial policy initiatives in developing countries fail, if the donor functions would have not needed?
Note: 12 selected areas

1. agriculture
2. cotton
3. mineral extraction
4. health and medical service
5. ICT
6. tourism
7. education (higher & specialised)
8. air and land transport hub
9. economic zone
10. SME
11. streamline administrative procedures
12. finance

Points
- Landrocked ➡ No labour intensive manufacturing
- Quick result ➡ smaller-scale FDI
- Knowledge-intensive, regional center of excellence ➡ education (BA, Master) /medical (for tests/treatments, e.g. magnetic resonance imaging (MRI), angiograms, angioplasty)
- Existing potential ➡ geographical, spare capacity of Lusaka airport
Note: Initial Achievements

1. Policies, laws, regulations, government services
   • 12 sector analyses and policy proposals have been duly filed by Zambian themselves, o/w 8 approved and implemented.
   • The progresses are monitored by the respective ministries and reported to the President every month.

2. Information for investors has been publicised
   • GoZ put out a project bulletin and profiles of Zambian companies and disseminated to investors.
   • With these, GoZ dispatched investment promotion missions to Malaysia (2006) and India (2007 & 2008)
   • Business forums for Asian investors in Zambia. These efforts materialized as the actual investment projects.

3. Public administration system is being consolidated.
   • GoZ is working to establish an E-governance system, a governmental Clients Charter and Integrated Approval Systems.


Note: Relevance of Asian Experience; No magic formula, but...

1. Commonality: top-down style political process and British public administration system.
2. Effort to unite the people and national vision with a long-term planning. Vision 2020 Vision 2030
3. Development path: formerly a resource depended economy to transform to leading exporters of electronics products by FDI-led industrialization
4. Peer counseling: Sharing the colonial legacy and has achieved a remarkable success in a game where the rule was set by others.
5. Well-versed in various operations: comprehensive and practical know-how relevant to the economies at the earlier stage of development today