Japanese and East Asian Development Experience and Africa

Cashew nut seller in Mozambique  Copper Belt in Zambia  Garment workers in Ethiopia

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Learning from East Asia

- It is NOT copying some specific policies adopted in some East Asian country to Africa.
- Learning *mindset* and *methodology*—by studying a large number of international best policy practices (and failures), each country should build capacity to design and implement policies which are pragmatic and suitable for local needs.
- The Eastern approach should be complementary to the Western approach—MDGs, PSD, business climate, good governance, aid harmonization...
Japanese Approach to Development


- **Target orientation**—striving for concrete vision, targets, roadmaps, and actions instead of general capability improvements.
- **Field (gemba) orientation**—working on factory floor or crop field to solve concrete problems.
- **Joint work**—transferring skills and knowledge to developing countries by working together (OJT); no parallel mechanisms.
- **Dynamic capacity development**—emphasis on policy learning and expectation of graduation from aid.
Entry Points for Japan’s Industrial Cooperation in Africa (and Elsewhere)


Japan, a small investor and donor in Africa, but with East Asian experience, can offer the following:

1. For a country with reasonable visions and plans, **standard policy tools** can be provided.
2. **Policy dialogue** for making and strengthening visions and strategies.
3. **Comprehensive regional development with core infrastructure** with additional measures such as education & training, agricultural & industrial promotion, planning capability, industrial parks, marketing, etc.
4. Creating **enabling environment for Japanese investment** under the principle of open access and non-exclusivity.
(1) Mobilizing Standard Aid Tools to Support Existing Development Vision

- Industrial policy menu is fairly common. But selectivity and adjustment are needed to adapt to unique conditions of each country.
- Japan has many industrial aid tools which are widely practiced in East Asia.
  - *Kaizen* (quality and productivity improvement)
  - *Shindan* (SME management consultant system)
  - Engineering universities and colleges
  - TVET-industry linkage
  - Industrial estates & strategic FDI marketing
  - SME assistance package
  - Integrated export promotion (Korea)
  - Strategic creation of new industry through industry-government-university cooperation
  - Comprehensive regional development with core infrastructure
# East Asia’s Standard Policy Menu for Enhancing Industrial Human Resource and Enterprise Capability

<table>
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<tr>
<th>Objective</th>
<th>Policy measure</th>
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| (1) Legal and policy framework | Provision of necessary laws and regulations  
Designation or creation of lead ministry/agency for priority policy  
Inter-ministerial coordination mechanism  
Effective public-private partnership (PPP)  
Policy structure consisting of vision, roadmap and action plan  
Monitoring and evaluation mechanism  
National standards for quality, safety, skills, environment, etc.  
Framework for technology transfer and intellectual property rights  
Industrial statistics and database  
Strategic mobilization of international cooperation |
| (2) Industrial human resource (education and training) | Technology and engineering universities and institutes  
Polytechnics and industrial colleges  
Technical support in specialized skills for engineers  
Technical and vocational training for new and/or current workers  
Subsidies and incentives for worker training  
Skill certification, competition, and awards |
| (3) Enterprise capability (management and technology) | Introduction of kaizen or productivity tools (5S, QC circles, elimination of muri and muda, suggestion box, just-in-time system, etc.)  
Benchmarking, business process re-engineering, and other management tools  
Management or technical advisory service (by visiting consultants, short-term)  
Enterprise diagnostic and advisory system (institutionalized shindan or technical extension services)  
Short-term courses and tours for entrepreneurs and managers  
Quality standards and certification, testing services and centers  
Awards and recognition for business excellence, productivity, competitiveness  
Subsidies & incentives for upgrading management, technology, marketing, ITC… |
| (4) Finance | Development financial institutions  
Subsidized commercial bank loans for targeted firms (two-step loans)  
Special loans and grants for priority products and activities  
Credit guarantee system  
Equipment leasing  
Enterprise credit information system  
Linking loans with enterprise diagnostic and advisory system (see (3) above) |
| (5) FDI attraction | Clear announcement of preferred investors, sectors, regions, etc.  
Effective investor information package and website  
Investment promotion seminars, missions and offices abroad  
Provision of high-quality infrastructure services (power, transport, land, water, waste water and solid waste treatment, etc)  
One-stop investor support service (both before and after investment)  
Development and management of industrial estates including EPZs, SEZs and special zones for priority sectors, high-tech firms, etc.  
Rental factories for local and/or foreign SMEs  
Support for labor recruitment, matching, housing, commuting, healthcare, etc.  
Negotiation and provision of special incentives for attracting targeted anchor firms |
| (6) Marketing and business linkage | Support for domestic and export market development  
Trade fairs and reverse trade fairs  
Enterprise database (SMEs, supporting industries, sectoral)  
Incentives and subsidies for FDI-local firm linkage and technology transfer  
Official promotion/intermediation of subcontracting  
Establishment and strengthening of industry/business associations and local firm networks |
| (7) Innovation | Business start-up support  
Support for R&D, branding, patenting  
Business incubation centers  
Venture capital market  
Innovation clusters among industry, research institutes and government  
Incentives/subsidies for designated activities and products |
If the developmental vision is weak or if the nation wants to learn Eastern way, Japan can engage in policy dialogue for improving policies & building mutual trust & understanding:

- **Argentina** – Okita Mission, 1985-87; follow-up 1994-96
- **Vietnam** – Ishikawa Project, 1995-2001
- **Thailand** – *Mizutani Report* for upgrading SMEs and supporting industries, 1999
- **Indonesia** – Continuous Government-Business Policy Dialogue; *Urata Report* for SMEs, 2000; Prof. Shiraishi & Asanuma for financial crises, 2002-04
- **Mongolia** – Ueno, Hashimoto, 1998-2001
- **Myanmar** – Prof. Odaka, 1999- (resuming soon)
- **Laos** – Prof. Hara for overall dev. strategy, 2000-05
- **Ethiopia** – GRIPS-JICA, 2009-11, for kaizen & policy methods

- IPD conference: July 2008
- Official launch: June 2009
- Industrial policy dialogue: May 2011
- Preparation:
- Industrial support projects:
  - Kaizen pilot project (30 firms)
  - Basic metal & engineering study (With ECBP)
  - Institutionalization of kaizen (To be continued)

Black square ■ indicates policy dialogue session in Addis Ababa with (i) prime minister, (ii) concerned ministers and state ministers, and (iii) operational levels.

Interim Report

Final Report
Main Topics of Industrial Policy Dialogue with Ethiopia

- Democratic Developmentalism (DD) and Agricultural Development Led Industrialization (ADLI), with PM.
- Policy formulation and implementation mechanism from East Asian perspective.
- Structure of master plans and action plans from East Asian perspective.
- Advice on the next five-year plan (Growth and Transformation Plan).
- Concept, practice and institutionalization of *kaizen* (productivity improvement)—global practice and Ethiopian context.
- Basic metal and engineering industries—local survey and review of international experience.
At the Prime Minister’s Office

High Level Forum (minister & state minister level)

Meeting with ministry officials
Kaizen

- Kaizen means “improvement” in Japanese. It is practiced widely in Japan as well as in other countries (Europe, US, Southeast Asia, India, Latin America, Africa...)
- It is continuous effort and teamwork at production site, without investing in new machines or hiring consultants.
- Basic tools for kaizen beginners are:
  - “5S” (Sort, Straighten, Shine, Systematize, Standardize)
  - Quality control circles (QCC)
- Japanese experts can coach individual companies through lectures and regular visits.
- Most companies improve productivity, sometimes greatly, after 3-6 months regardless of size, sector or nationality. But internalization requires long-term company-wide effort and mindset change.
(3) Japanese Assistance for Regional Development around Core Infrastructure

- **Greater Mekong** – East-West and North-South Corridors for development of Indochina Region
- **Thailand** - Eastern Seaboard: industrial cities around port infrastructure
- **Indonesia** – Brantas River Basin Development
- **Vietnam** - Highway No.5 and FDI attraction
- **Cambodia** - Port, industrial park, FDI attraction
- **El Salvador** - La Union Port and comprehensive regional development
- **Mozambique** (planned) – Nacala Port and Corridor for regional development
Components of Japan’s ODA in El Salvador

Source: Akio Hosono (Director of JICA Research Institute)

**KEY INFRASTRUCTURE**
- Construction of La Union Port
- Rebuilding an old bridge (Honduras border)
- Digital map technology for efficient planning
- Urban development planning for La Union City

**Social & Human RD**
- MEGATEC La Union (training center)
- Primary schools & math
- Clean water
- Rural electrification
- Solid waste control

**Support for Productive Sectors**
- SME promotion
- Aquaculture
- Small-scale agriculture
- Reservoirs & irrigation
- Small-scale livestock

**Eastern Region Development**
- La Union Port
- Plan Puebla Panama
- CAFTA & other FTAs
- Cent. Amer. integration
- M/P for Eastern Region
Indonesia: Brantas River Basin Development:
Regional development around hydropower and irrigation

(Source: JBIC)
Mozambique is JICA’s target country in Africa for regional development approach: Nacala Corridor, Nacala city planning, agriculture (with Brazil), productive sector support, road maintenance.

World Bank is proposing a new policy mechanism for implementing Mozambique’s multiple corridors development.
Some Related Research at GRIPS Development Forum

*Learning to Industrialize: From Given Growth to Policy-aided Value Creation* (Routledge, coming soon).

*East Asian Industrial Policy Handbook* (project in progress).

Comparative research on industrial policy making in Singapore, Korea, and Taiwan (2010-2011).

