

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

GDF, *Proposal for a New African Growth Support Initiative*, Aug.2008.

- ❑ **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)

GDF, *Proposal for a New African Growth Support Initiative*, Aug.2008.

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

Objective	Policy measure
(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...

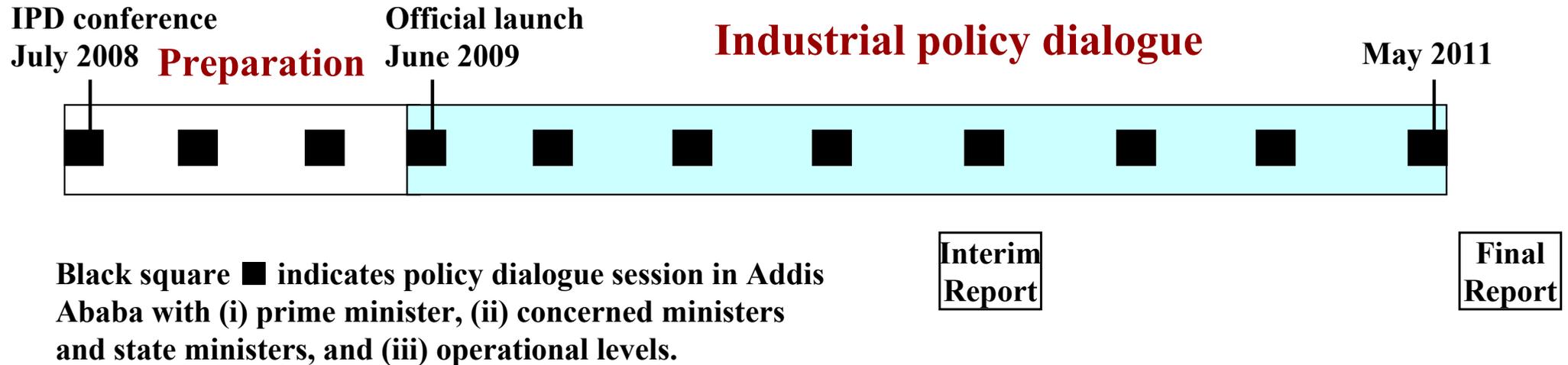
(4) Finance	Development financial institutions
	Subsidized commercial bank loans for targeted firms (two-step loans)
	Special loans and grants for priority products and activities
	Credit guarantee system
	Equipment leasing
	Enterprise credit information system
	Linking loans with enterprise diagnostic 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, houseing, 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

(2) Japan's Policy Dialogue with Developing Countries

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

GRIPS-JICA Industrial Policy Dialogue and Industrial Support Projects (2009-2011)



Industrial support projects

Kaizen pilot project (30 firms)

Institutionalization of kaizen

(To be continued)

Basic metal & engineering study
(With ECBP)

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



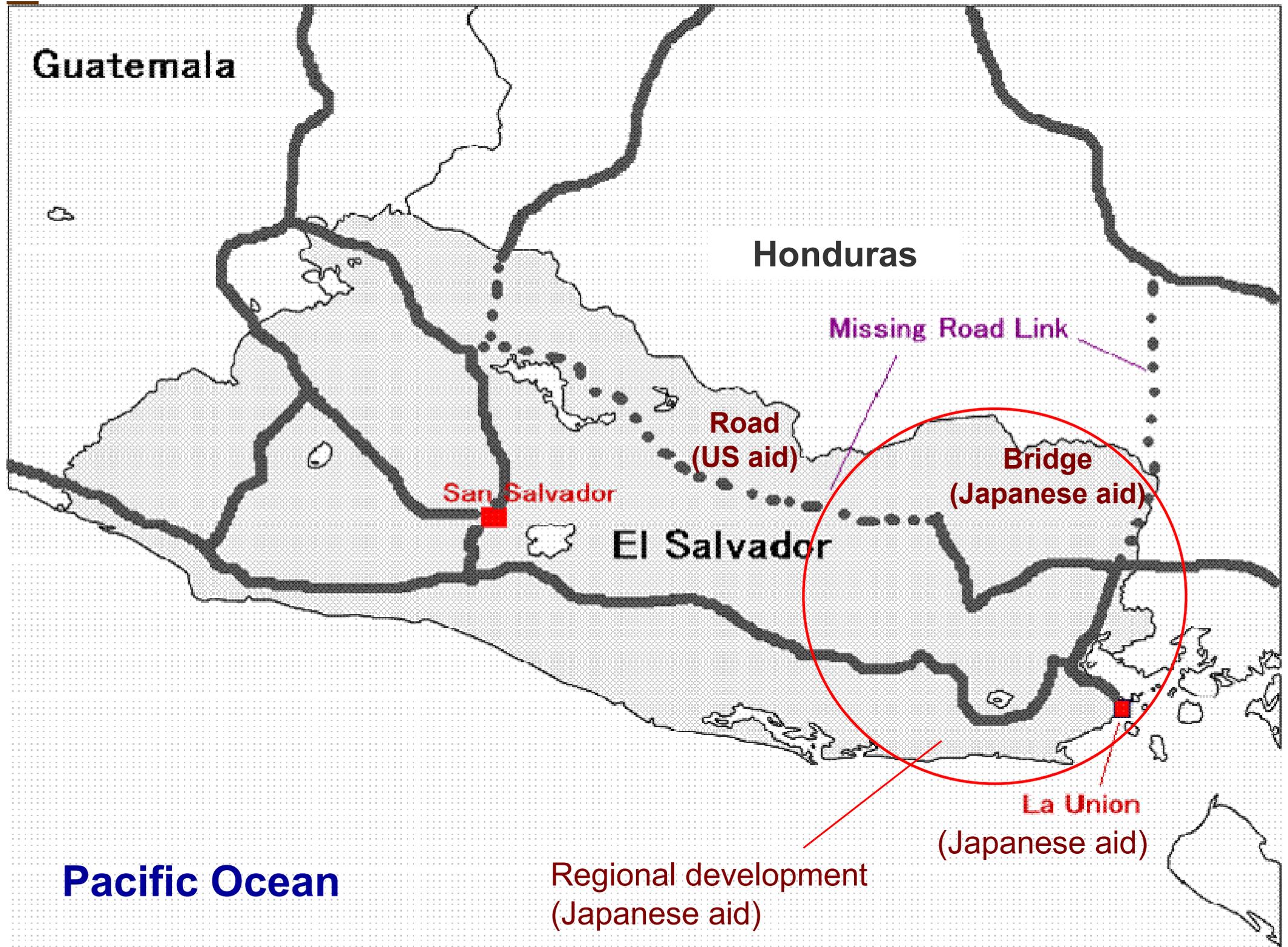
Kaizen



- ❑ 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



Guatemala

Honduras

El Salvador

Pacific Ocean

San Salvador

Road
(US aid)

Bridge
(Japanese aid)

La Union
(Japanese aid)

Missing Road Link

Regional development
(Japanese aid)

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

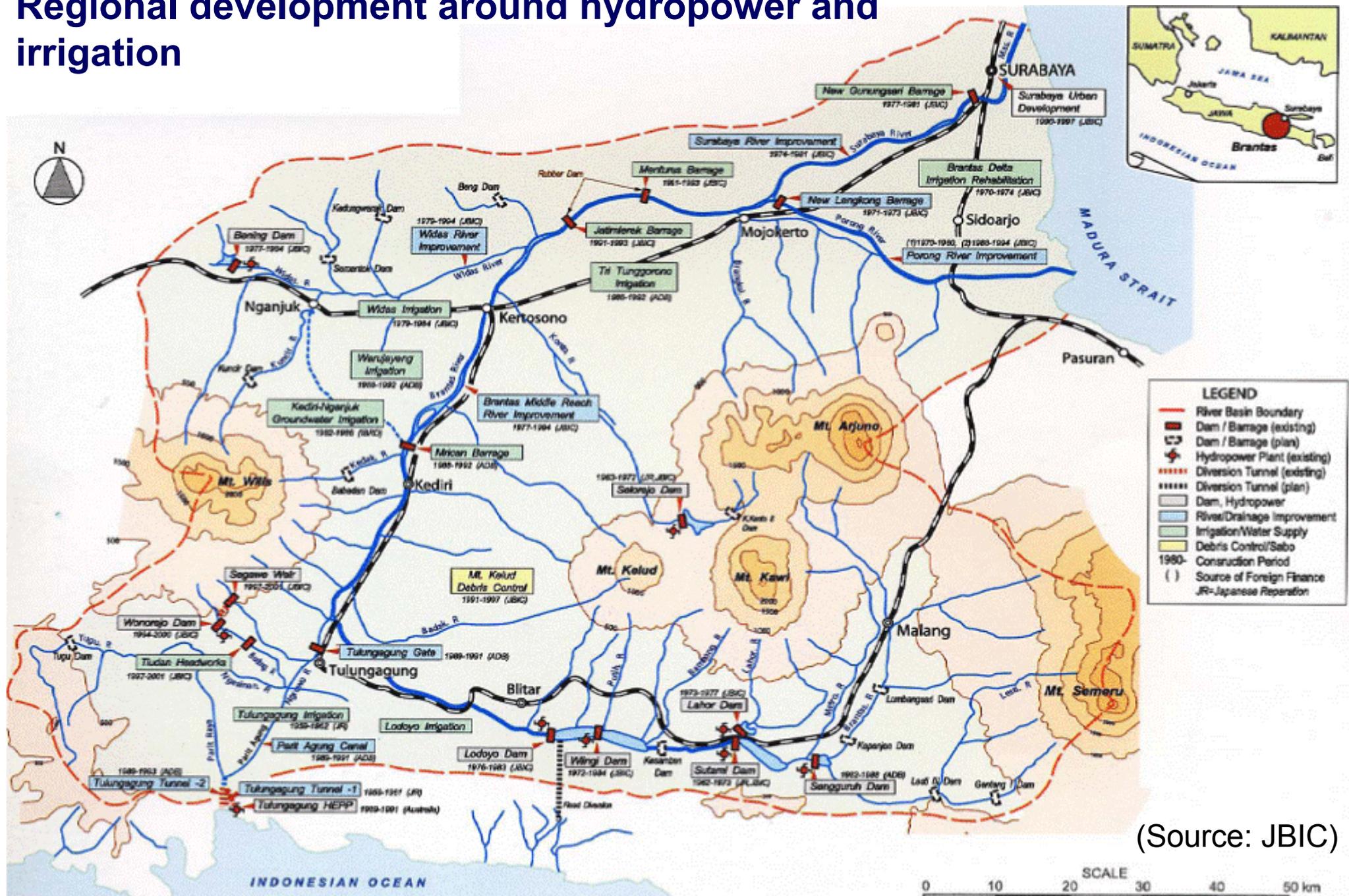
- SME promotion
- Aquaculture
- Small-scale agriculture
- Reservoirs & irrigation
- Small-scale livestock

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

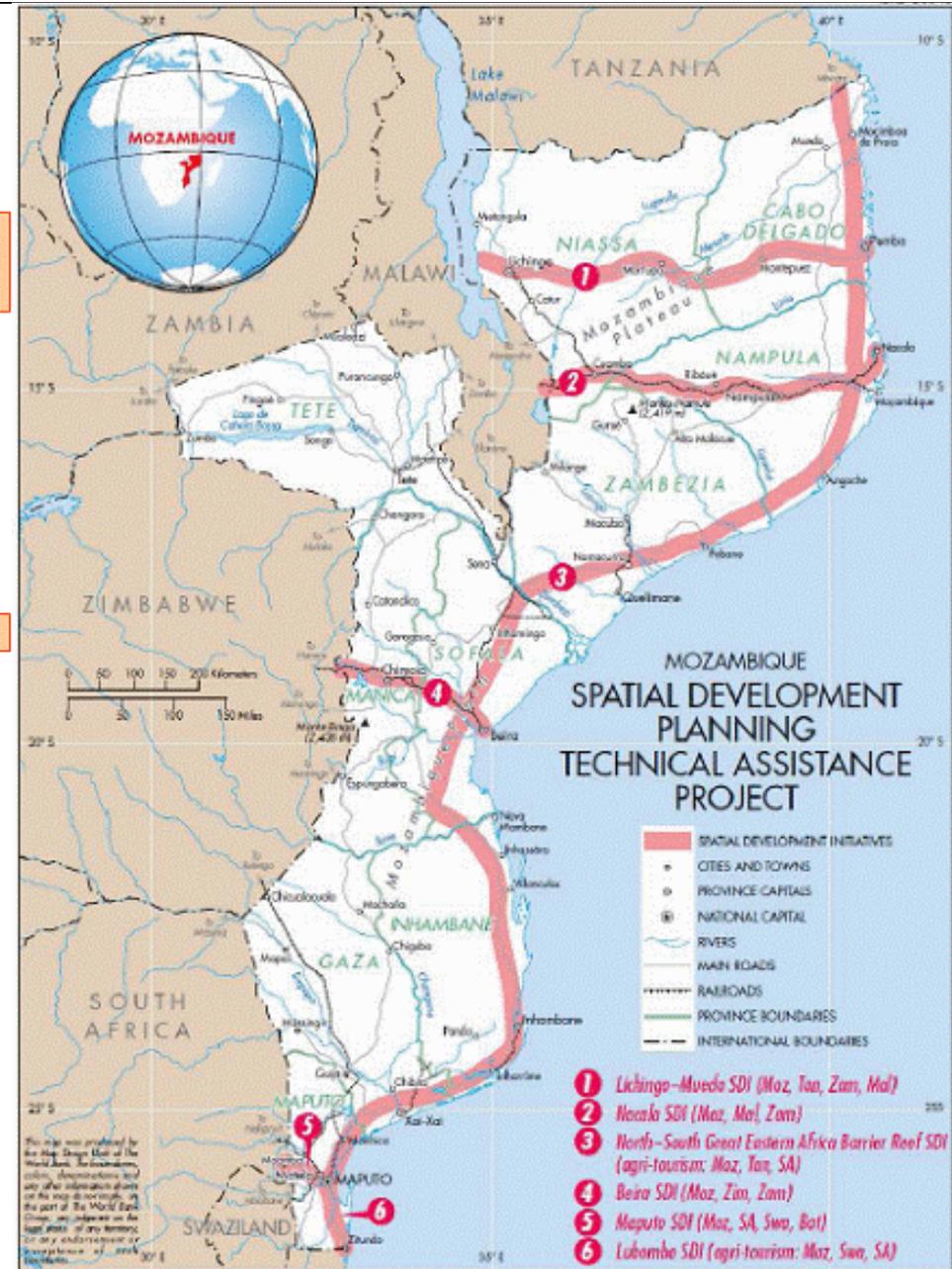


Nacala Development Corridor



(Map 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



(Map source: World Bank)

- 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).

“Japanese Approach to Growth Support in Developing Countries: International Comparison and Case Studies” (JICA, Mar.2010; English translation in progress).

“Backgrounds, Policy Measures and Outcomes for Development of Supporting Industries in ASEAN: Malaysia and Thailand in comparison with Vietnam” (JICA, Feb.2010).

Proposal for a New African Growth Support Initiative, (Aug.2008, prepared for TICAD IV).