



**Keynote Address by
Ambassador Bouna Sémou Diouf,
Director, TICAD/UNDP Africa Bureau**

**At the
2007 Africa Day Symposium on:**

**“Financial Instruments for the Promotion of
Infrastructure, Trade and Investment
between Japan and Africa”**

**Organized by the United Nations University and the
African Diplomatic Corps in cooperation with the
Ministry of Foreign Affairs of Japan**

**Date: Friday, 25 May, 2007
Time: 09.30 a.m. to 1:00 p.m.
Venue: U Thant Hall, UN House,
Tokyo, Japan**

Excellency Mr. Yoshiro Mori, former Prime Minister of Japan,

Excellency, Mr Koji Omi, Minister of Finance of Japan,

Distinguished members of the Japanese Government,

Excellency, Ambassador Salah-Hannachi, Ambassador of the Republic of Tunisia to Japan, Dean of the African Diplomatic Corps (ADC),

Excellencies, the African Ambassadors and other members of the Diplomatic Corps,

Mr Bernd Fischer, Chargé d'affaires, Embassy of Germany,

Honorable Chairperson, Professor Hans van Ginkel, Rector of the United Nations University,

Mr. Deputy Director General of the United Nations Industrial Development Organization,

Mr. Lester Dally, Acting Special Representative of the World Bank,

Distinguished Guests, Ladies and Gentlemen,

I am pleased to make this keynote address at the Africa Day Symposium on “Financial Instruments for the Promotion of Infrastructure, Trade and Investment between Japan and Africa”. I am honored to tackle this important topic which also mirrors the theme of the just-concluded Forty-second annual meeting of the Board of Governors of the African Development Bank Group (AfDB) in Shanghai, where I had the honor to lead the delegation of the United Nations Development Programme (UNDP) on behalf of our Administrator, Mr. Kemal Dervis.

Before I do so however, allow me to congratulate all the African States on this memorable day which marks the 44th Anniversary of their representative body, the Organization of the African Unity (OAU), and its successor institution, the African Union (AU), and to express my profound gratitude on behalf of all the co-organizers of the Tokyo International Conference on African Development (TICAD), namely the Government of Japan, the Global Coalition for Africa, the Office of the Special Adviser of the United Nations Secretary General on Africa, UNDP, and the World Bank, to the African Diplomatic Corps for hosting this important event, and for bringing together an informed panel of distinguished senior representatives from the Government of Japan, my colleagues and friends, the African Ambassadors in Tokyo, the Japan Bank for International Cooperation (JBIC), the Bank of Tokyo, the United Nations Industrial Development Organization (UNIDO), and the World Bank, to reflect collectively on critical aspects of this topic, which has become a vital dimension in Japan’s cooperation with Africa.

Representing more than 20 per cent of the world's surface and 13 per cent of its population and endowed with abundant natural and mineral resources, Africa is better poised today for economic prosperity and improved governance than it has been for many years. The economic growth of the continent is positive and forward-looking this year with rates expected to exceed 6.5 per cent.

An analysis of the socio-economic situation of Africa shows better prospects -- with 31 countries growing at a rate above that of population increase, half of them at above 5 per cent. Nine countries are growing above 7 per cent, the target level deemed to be enabling for the timely attainment of the Millennium Development Goals (MDGs). Post-conflict nations like Liberia, the Central African Republic (CAR), the Democratic Republic of Congo (DRC) and Burundi are slowly getting back on their feet -- thus indicating that post-conflict economic recovery is achievable.

Perhaps even more significantly, the five countries with the largest populations, including Nigeria, Africa's most populous nation, in which nearly half of Africans live, are registering unprecedented growth thereby providing a strong chance of faster reduction in absolute number of people living in poverty. The drivers of the trend include peace consolidation efforts, democratic governance, a more and more favorable business climate, lower debt, public sector reform and greater transparency and accountability.

Japan and other Asian countries' economic relations with Africa have received a new impetus and grown exponentially in recent years. At the same time, Asia's emergence as the world's fastest growing market presents many opportunities and challenges as well as an inspiration for Africa.

Nevertheless, beyond these aggregate statistical data, not all the countries are doing so well as millions of African people still live below the poverty level in fragile economies that are stagnant and not often keeping up with population growth. The effect of climate change such as the global warming, desertification, floods and severe drought is taking on alarming proportions. Pandemics such HIV/AIDS, Malaria, Tuberculosis have not abated.

The important leadership and ownership initiatives taken by the Africans themselves as represented by the launching of the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the Africa Peer Review Mechanism (APRM), along with efforts to enhance and rationalize the developmental work of the Regional Economic Communities (RECs) also constitute a source of encouragement to all of us.

In its contribution to mitigating these development challenges, Japan continues to nurture strong ties with African countries on a wide range of socio-economic and development issues. Japan's aid to Africa has been substantially bolstered for the past fourteen years including

through the TICAD process. Japan has been involved in many infrastructure and public projects in Africa.

Japanese investment into Africa reached 203 million US dollars in 2004 alone and Japanese investors have been involved in a number of significant deals in African countries, including Mitsubishi Corporation in Mozambique, Japan's Oil Gas and Metals National Corporation in Libya, and Oji Paper Company Ltd., one of Japan's major paper and pulp manufacturers, in Tanzania. It is worth noting here that Japan, which still funnels the bulk of its investment into non-manufacturing, is developing niche investments such as Sumitomo Chemical's plan to increase production of its anti-malaria mosquito nets in Tanzania.

More importantly, a tripartite business partnership was formed between Japanese firms, which were invited for the first time in the history of the Africa-Asia Business Forum (AABF) series, and Asian firms that have already a strong investment record in Africa during the AABF IV held in February this year in Dar es Salaam at the kind invitation and wise strong support of the Government of the United Republic of Tanzania.

Clearly, the role of business and the private sector is important in the evolving partnership between Japan and Africa. This is quite relevant as African countries explore ways and means to attain the MDGs by 2015. In this context, Africa needs to focus more on innovative actions such as better promoting agriculture, health, education,

small-scale entrepreneurship, a better investment climate and devote significant domestic and external resources to building and retaining the much-needed economic infrastructure and human resources concomitantly with better taking on the development of the private sector.

In helping African countries combat poverty and inequalities, UNDP partners not only with governments but also with international financial institutions, non-governmental organizations (NGOs), civil society organizations (CSOs), parliamentarians, and the private sector.

UNDP is keen to further enhance its strategic framework for the development of the private sector. On the one hand, the Growing Sustainable Business (GSB) Initiative facilitates business-led enterprise solutions to poverty in attainment of the MDGs. As such, the GSB initiative engages the private sector in innovative partnerships grounded in market-based incentives, often around new business models. In Africa, the GSB initiative is seeking to find ways that companies can do what they do best – that is to harness the profit motive, engage their creativity and innovation in the pursuit of opportunities and activities related to the core of their business operations – while meeting the demands of local populations and working in partnership with civil society, governments and other development actors.

The GSB, which is active in several African countries, represents a new way forward for UNDP in working with

the private sector and thinking about sustainable development and to create a more fruitful relationship between the worlds of development and private enterprise, leading us towards the attainment of the MDGs.

On the other hand, UNDP's Regional Bureau for Africa (RBA) strongly supports trade as an instrument for development. Private sector development is one of the core elements of our refocused strategy for capacity development for inclusive pro-poor growth and accountability in Africa to better support Africa's development agenda, including the achievement of the MDGs.

In this new approach to sustainable development in Africa, we have formulated a Trade Capacity Building Programme, which is geared towards building and strengthening human, institutional and policy capacity in sub-Saharan African countries in order to enhance their active participation in multilateral and other international trade negotiations.

The African development agenda must be founded on a more efficient and better use of the continent's own resources, including those in the Diaspora, a targeted group which AABF IV reached out to during the Dar es Salaam forum. In summary, a "self-reliant" strategic framework in which African themselves are in the driver's seat as encapsulated in the globally appreciated TICAD's principles of ownership and partnership.

Let me make two observations in this context regarding first and foremost good practices from Japan and other

Asian countries for Africa in the area of entrepreneurship and private sector development and second opportunities that the Africa-Japan partnership presents for the private sector in the framework of TICAD.

Africa could be well advised to further look into Japan and other Asian and emerging states' policies on the critical roles that entrepreneurship and private sector can play in development – for example how a supportive and conducive investment climate is crucial to sustain economic growth; how increased public and private investment in human resources capacity has driven growth in emerging nations such as China and India and to some extent Malaysia; how through intra-regional trade and investment, the private sector has led the way toward regional integration, particularly in South East Asia; enticing the Asian Diaspora to become a major source of innovation and capital; and how Asian competitive participation in globalization has been based on an effective understanding to global network trade, including the value chain of immediate goods and services; and more relevant to our topic of discussion today, how Public-Private Partnerships (PPPs), particularly in infrastructure building such as roads, ports, telecommunications and airlines, have created the requisite foundation upon which competitive production has been built.

What is TICAD doing in capacity development in Africa? Let me now report that in follow-up to the TICAD Asia-Africa Trade and Investment Conference (AATIC) held in November 2004 here in Tokyo, which underscored the fact

that developing public-private partnerships between Africa and Asia is of paramount importance to help African countries realize sustainable and inclusive economic growth and make remarkable progress toward achieving the MDGs, we organized, in the framework of the TICAD process, AABF IV from 12 to 14 February 2007 in Dar es Salaam.

It was noteworthy that the Government of Japan was ably represented by the Vice Minister for Foreign Affairs Hon. Hamada and the host Government Tanzania, by President Kikwete himself accompanied by several key members of his cabinet.

AABF IV, which was held back-to-back with a Small and Medium-sized Enterprises (SMEs) Financing Symposium organized by Technonet Africa supported by UNDP's South-South Cooperation Unit, generated One hundred and fifteen (115) Memoranda of understanding (MOUs). Eighty (80) of the MOUs had values totaling US\$152.3 million, a little less than the US\$152.9 million in declared value of the three previous combined AABF fora.

It was the first time in the series of the AABF series that all TICAD Co-organizers, UNIDO and the Government of Tanzania actively participated in the preparatory process. It was also the first time that companies from Japan and North Africa participated in the event. Ten (10) Japanese companies participated in the forum and 5 signed MOUs. The Japanese companies' deals were valued at US\$8.5

million from 10 MOUs with the largest deal worth US\$6.5 million in the energy sector with a Rwandese company.

May I take this opportunity to underscore our sincere appreciation of the innovative technical work of UNIDO in Information and Communication Technology (ICT) which brought an entire new dimension to AABF IV. UNIDO's technical expertise in this area opened up a wealth of information to hundreds of African and Asian entrepreneurs seeking to participate in AABF IV during which a presentation made by the 3J -- JICA, JBIC and JETRO, a cracker jack team which focused on the "One Village, One Product" Initiative, a Power Lunch hosted by Standard Chartered Bank organized by the Tanzania Private Sector Foundation, and a presentation on a research outcome by JBIC/FASID on industrial clusters, drew a large audience.

Two hundred and sixty nine (269) companies (228 from Africa 41 from Asia) completed the Forum Application Forms. After a rigid screening process, 212 business people representing 160 companies participated in the three-day event. The participation consisted of 130 African companies from 17 countries, and 30 Asian companies from 7 countries. There were approximately 15 women-led companies and about 20% of the participants were also women. A significant number of women-led companies were from Zimbabwe.

A sectoral analysis revealed that Agro-processing was the sector with the highest number and value of MOUs

followed by Pharmaceuticals and Chemical Products, Textiles/Garments. 23 out of 118 MOUs are projects that involve both trade and investment while 73 MOUs solely deal with trade and 10 MOUs with investment. 69 MOUs stated the need for financing out of which 23 deals identified potential financing sources from those participated in the Forum.

This brings me to the critical issue of financing in the promotion of trade and investment between Japan and Africa. Although AABF IV was able to attract several commercial banks such as Standard Chartered Bank of Tanzania, the Bank of Industry of Nigeria, the Bank of Tokyo and the International Finance Corporation, not much has transpired in terms of establishing a Financing Facility to meet funding needs of African SMEs, which continues to pose a great challenge.

As you probably know, each AABF event has resulted in a substantial and growing number of MOUs signed. However, the momentum generated by this and the hopes of following-up on successful deals made, has usually ran out of steam soon after. This is primarily due to the fact that financing is unavailable to assist African partners in meeting their obligations under the deals as well as the inability of African companies to secure financing to consummate many of the deals made.

In this context, Japan could continue to help African countries tackle may factors that limit entrepreneurial activity on the continent: the current education system in

Africa generally does not encourage entrepreneurship as a career; there is a lack of resources available to start one's own business and banks usually want too much security to get started; regulations create huge administrative bottlenecks and high costs; the environment in which children usually grow up influences them to believe that it is better to find a regular job than anything else; infrastructures and the requisite skills for entrepreneurship are often lacking; sadly, a paradigm of entrepreneurship as the expectation is that big business, government and others should create jobs; and finally the fact that competencies such as management and entrepreneurial skills are often.

Japan also needs to vigorously re-position itself with regard to financing for the development of African SMEs. We all recall the US\$1 billion which was extended to the AfDB under the aegis of the Enhanced Private Sector Assistance (EPSA) initiative for Africa, which supports the AfDB's private sector development strategy. It is our understanding that the EPSA initiative is now fully operational as the other two components of the initiative, namely the Accelerated Co-financing Facility for Africa (ACFA), which provides loans for joint co-financing of sovereign guaranteed projects supporting private sector development, and the Fund for African Private Sector Assistance (FAPA), which provides technical assistance resources, have been operational for the past year.

UNDP has initiated negotiations with the Ministry of Foreign Affairs, Japan's Multilateral Cooperation Bureau, JBIC as well as AfDB itself to come up with a viable and

flexible financing mechanism in light of AfDB's management of these funds. It is our hope that Japan will vigorously work with the AfDB for the quick disbursement of these funds on behalf of African SMEs and a successful outcome of the EPSA initiative.

Speaking early last week at the Ministerial Roundtable on "Africa and Asia: Partners in Development" organized as a key event of the 2007 AfDB Annual Meetings in Shanghai in the presence of the Presidents of Cape Verde and Madagascar, African Finance and Development Ministers, the AfDB Group President and the United Nations Economic Commission on Africa (UN-ECA) Executive Secretary, I called, on behalf of UNDP and TICAD, for an easier access by African SMEs to these EPSA funds.

As we gear up to TICAD IV and Japan's hosting of the G8 Summit in 2008, I have no doubt that Japan will use those opportunities to refocus the attention of the G8 industrialized nations and TICAD participants to the most critical issues facing African countries today and one of Japan's known priorities: Africa's development. While much has been done in recent years, there are still formidable challenges that the G8 and other partners need to tackle with a clear vision. The fact that the Fourth TICAD will be held soon after the G-8 Summit in Japan augurs well in that respect.

I thank you for your kind attention.