

【 Pre-Event for TICAD VI: Public Symposium 】

The prospects of the industry for the transformation of economic structure in Africa

Mami Indo

**Senior Executive Director Daiwa Institute of Research Ltd.
Vice chairman of Japan-African relations committee
Japan Association of Corporate Executives (Keizai Doyukai)**

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Curriculum Vitae of speaker

Mami INDO is Senior Executive Director of Daiwa Institute of Research Ltd. since 2016. After she started to work at Daiwa Securities Co. Ltd. in 1985, she spent her career as an analyst on electric industry and management strategy.

From 2002 to 2007, she worked at the investment banking division of Daiwa Securities SMBC Co. Ltd. and provided strategic consulting services to business industries in areas of business, management, financial, and M&A strategy.

From 2007 to 2009, she was Deputy Executive Officer of Daiwa Institute of Research Ltd. from 2009 to 2012, Senior Managing Director, and from 2013 to 2015 Executive Managing Director.

She is the chairperson of the Secretariat of Supervisory Commission for Public-Private and Private-Private Competitive Tenderings, and a member of the Japan Association of Corporate Executives (Keizai Doyukai), the Legislative Council of the Ministry of Justice, and others.

Professional Qualification

Chartered Member of the Securities Analysts
Association of Japan

Education

B.A. in Law from Hitotsubashi University,
Tokyo in Japan in 1985

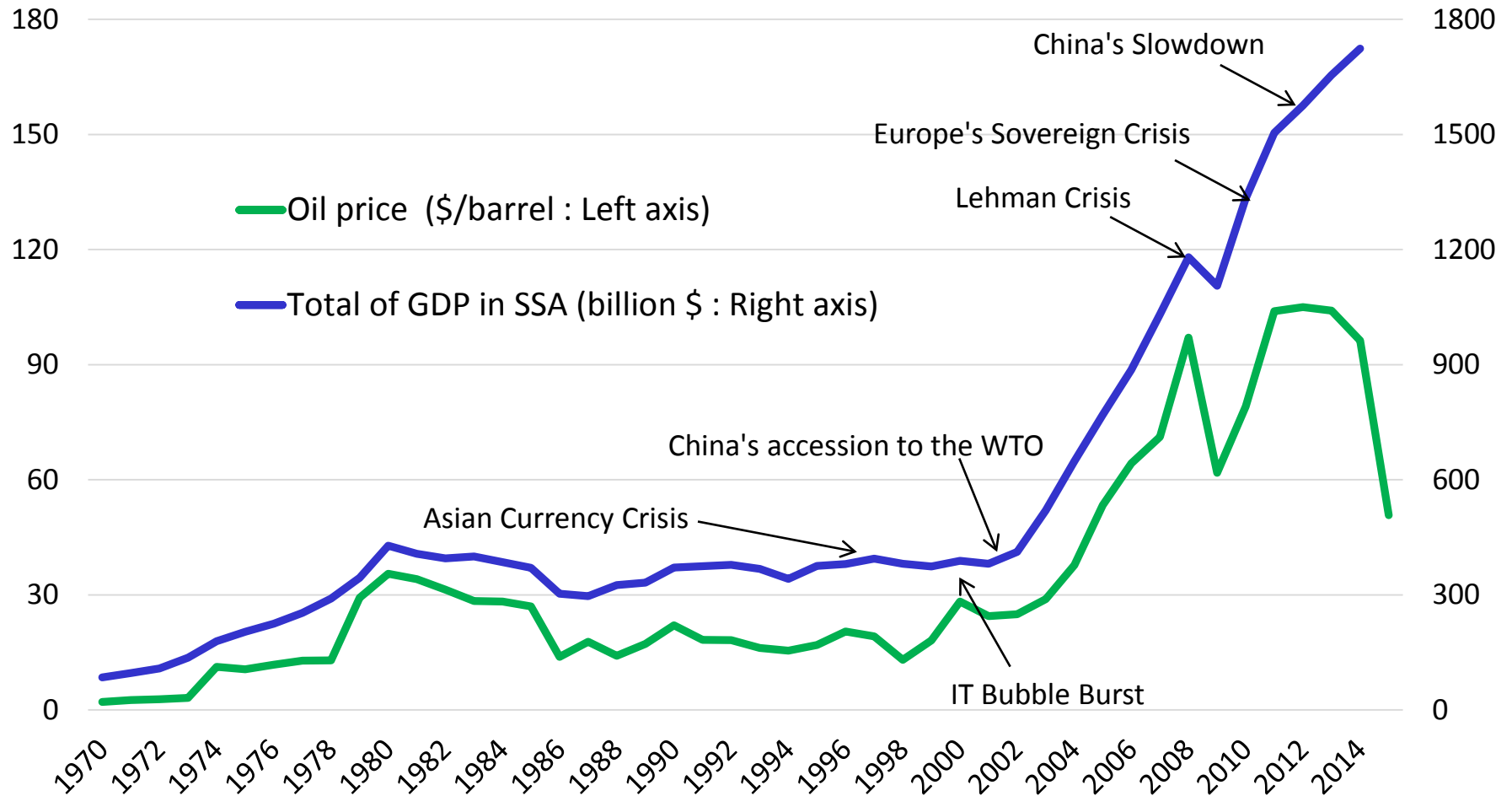
Today's agenda

- 1. The present conditions of the African economy
~Upcoming the new stage after rapid growth~**
- 2. Problem of the African economy from the view point
of Japanese private sector**
- 3. Prospects of African economy from the view point of
Japanese private sector**
- 4. Africa's priority for the solution to development
problems**
- 5. Expectation toward TICAD VI
(Proposal from Keizai Doyukai)**

1. The present conditions of the African economy ~Upcoming the new stage after rapid growth~

Change of the oil price and the economic scale in Sub-saharan Africa (SSA)

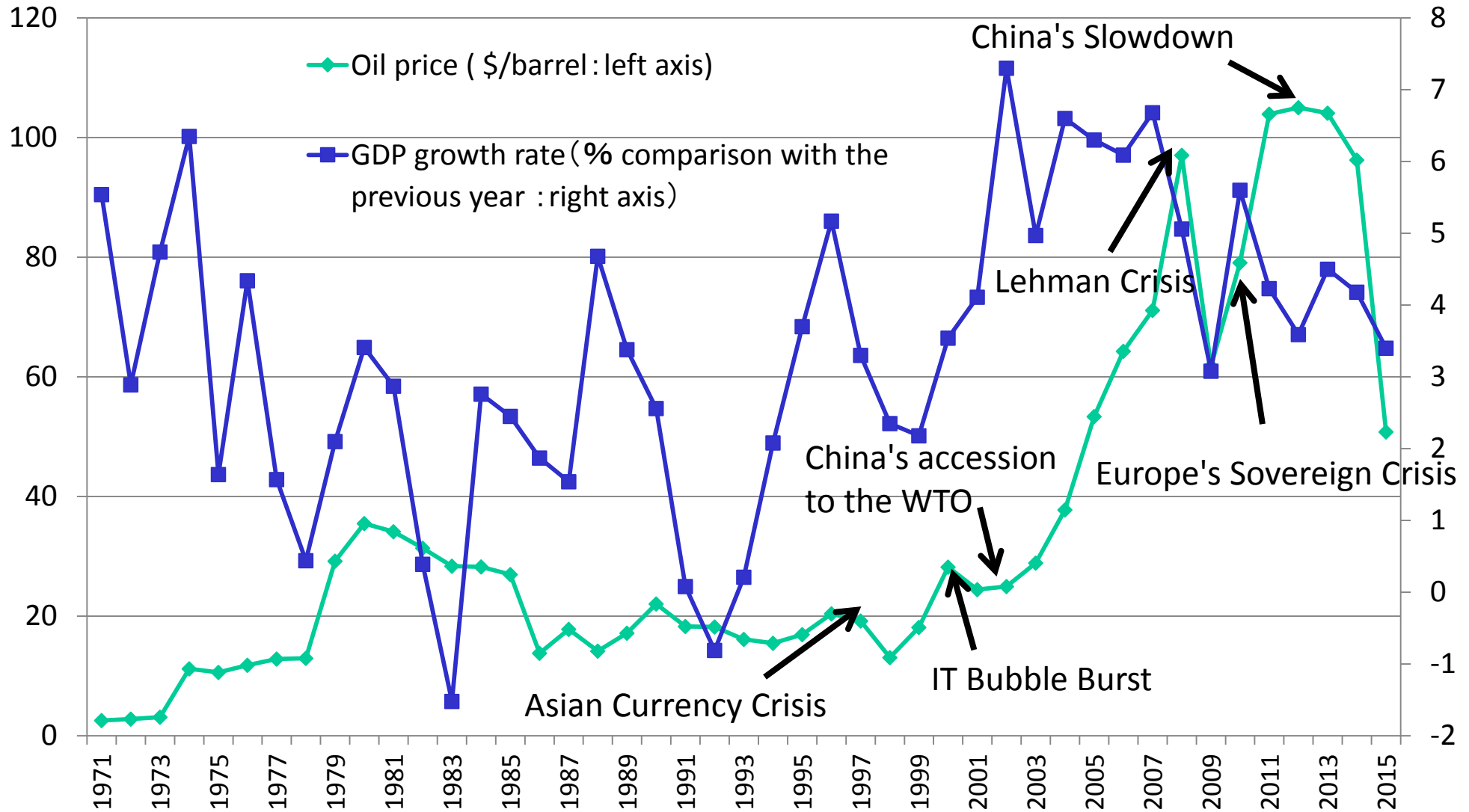
Total of GDP in SSA and Oil price



Source : UNCTAD statistics (2016)

Change oil price and the economic growth rate in SSA

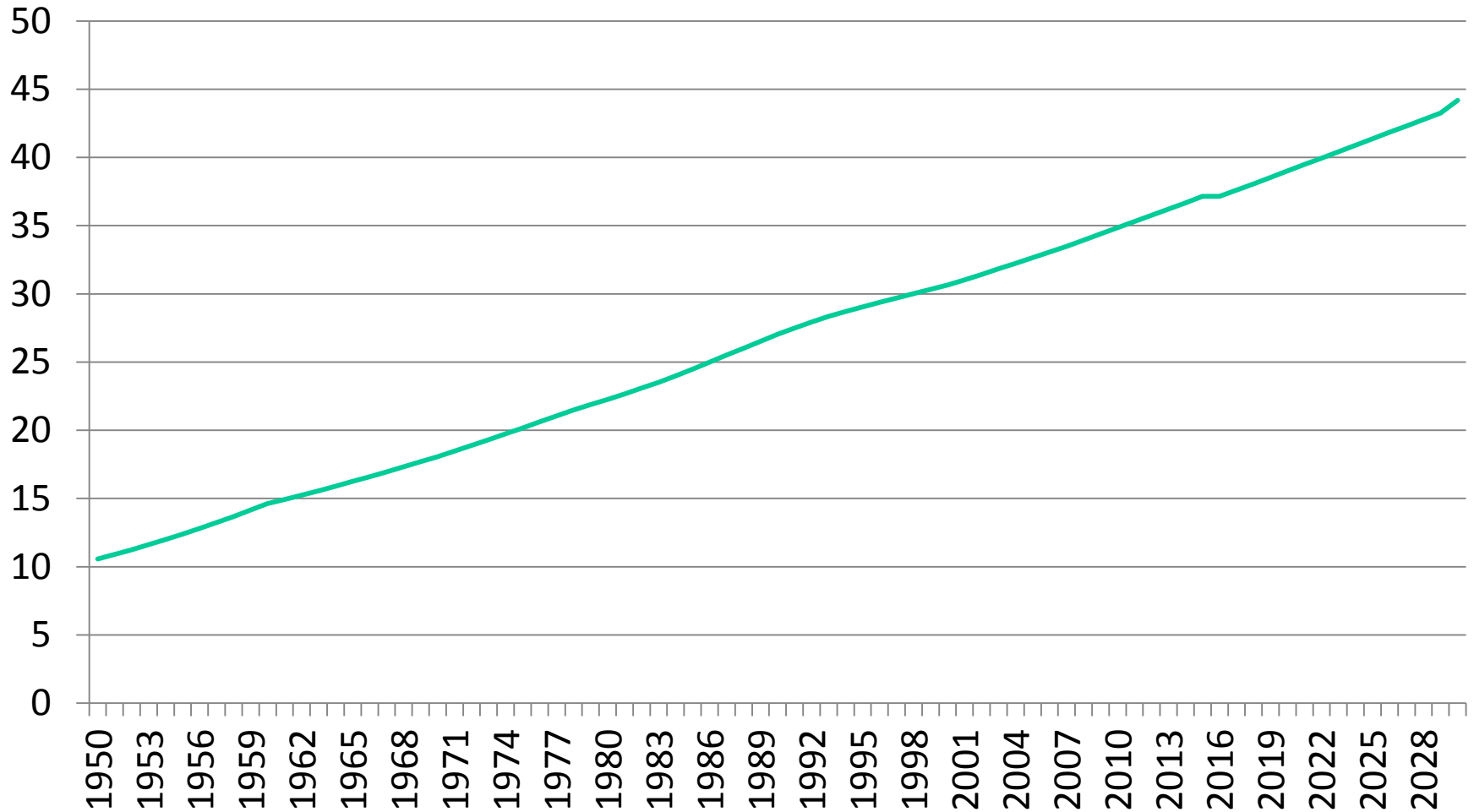
GDP growth rate in SSA and Oil price



Source : UNCTAD statistics (2016)

Progress of the urbanization in SSA ①

Urban population in SSA (% of total population)

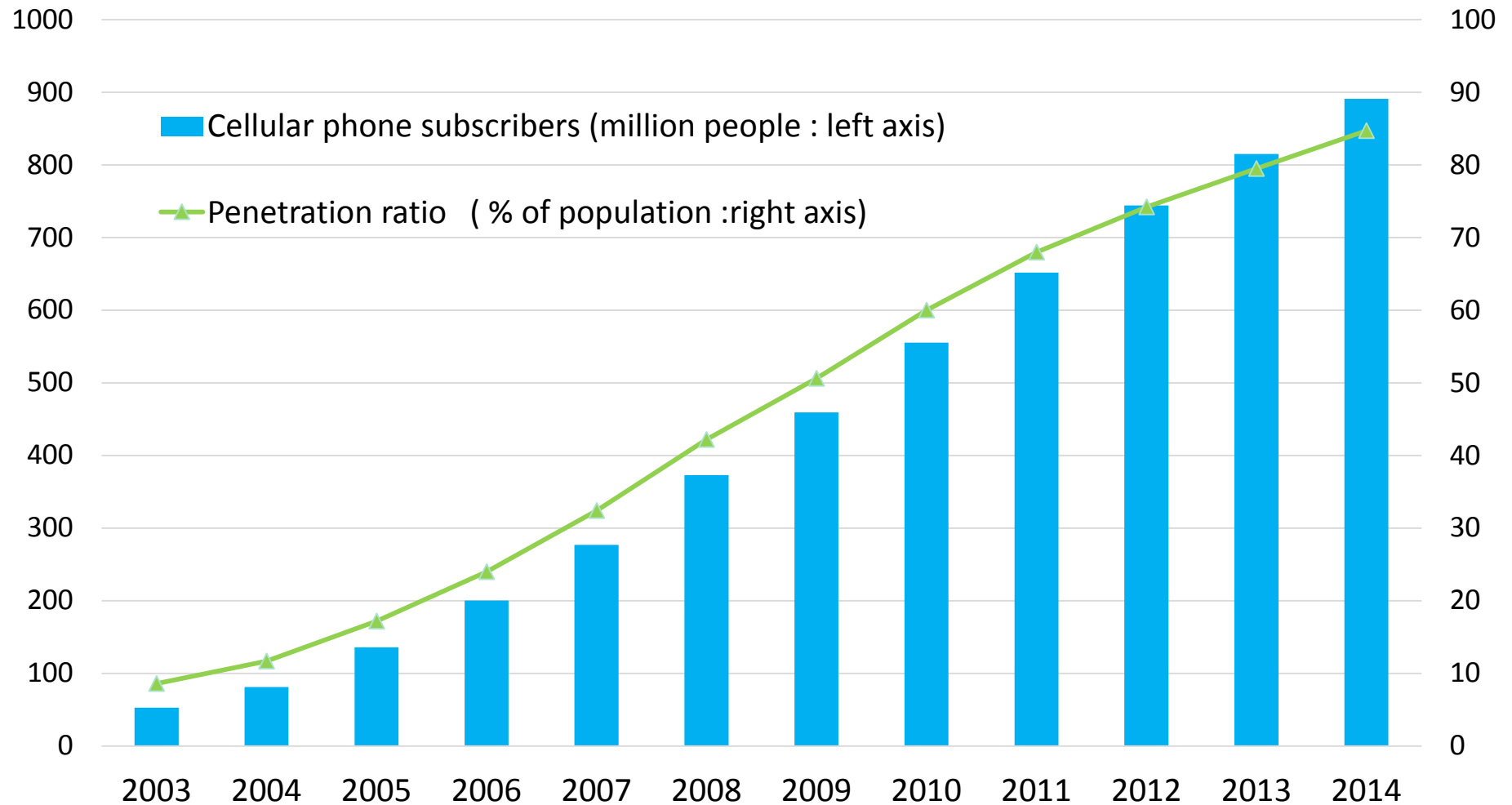


Source : World Bank statistics (2016)

(e)

Progress of the urbanization in SSA ②

Transition of cellular phone subscribers and penetration



Source : Telegeography (2014)

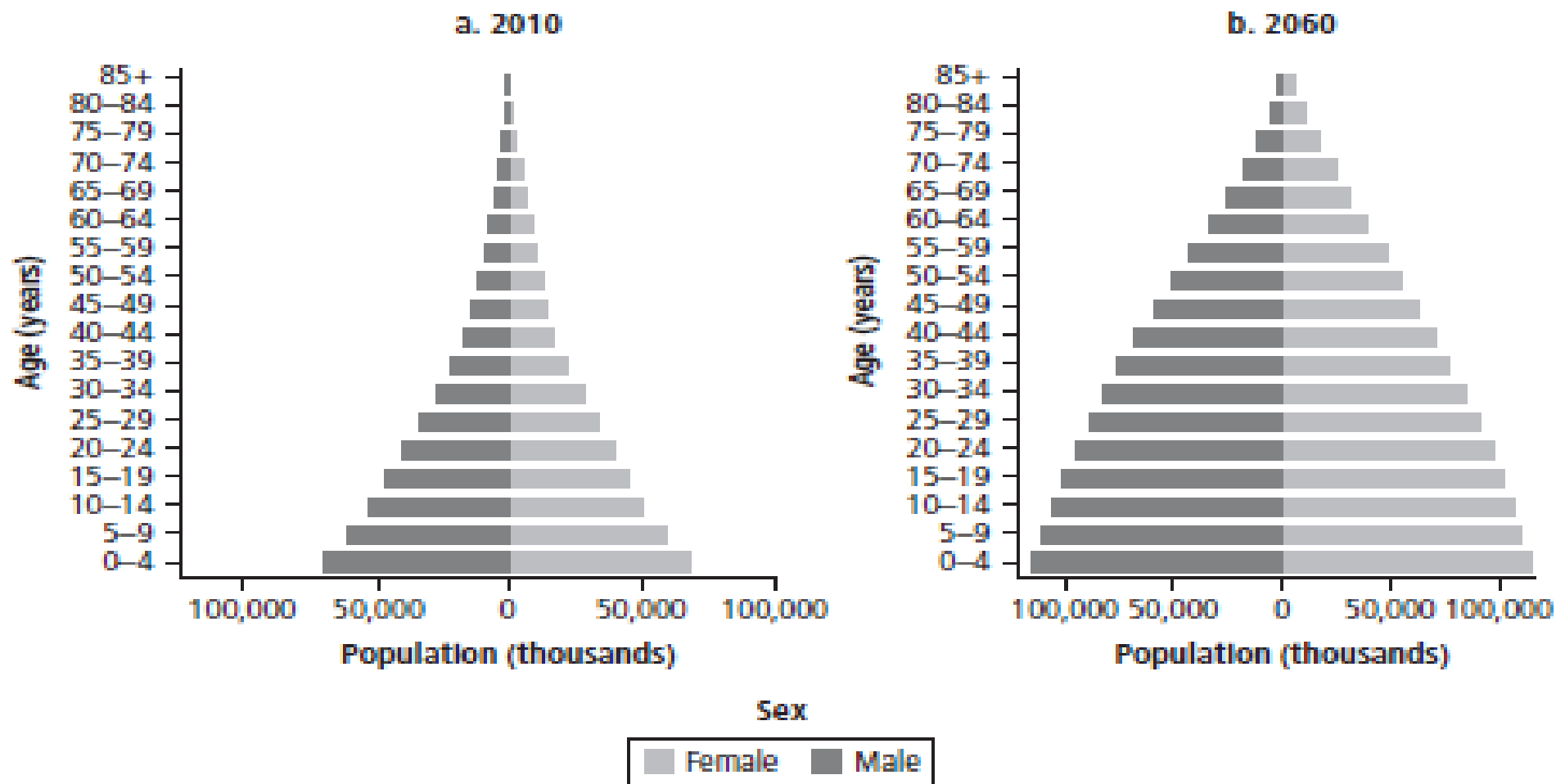
Improving Business Ranking

	Year	Ease of Doing Business Rank
Botswana	2015	72
	2016	72
Côte d'Ivoire	2015	145
	2016	142
Kenya	2015	129
	2016	108
Mauritius	2015	31
	2016	32
Nigeria	2015	170
	2016	169
Seychelles	2015	104
	2016	95
South Africa	2015	69
	2016	73
Uganda	2015	135
	2016	122

Source : World Bank "Doing Business 2016" , "Doing Business 2015"

The big expectation on the Population Bonus

Figure 1.10 Population Pyramid for Sub-Saharan Africa, 2010 and 2060



Source: UN Population Division 2012.

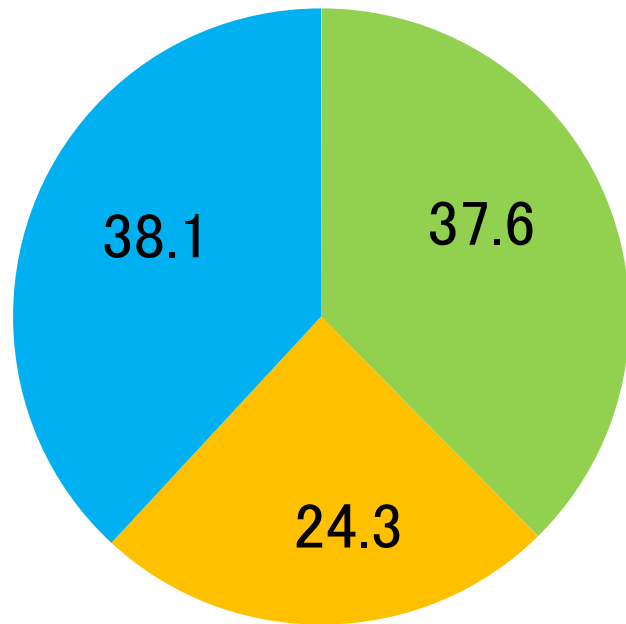
Note: Data after 2010 are projections based on medium-variant fertility.

2. Problem of the African economy from the view point of Japanese private sector

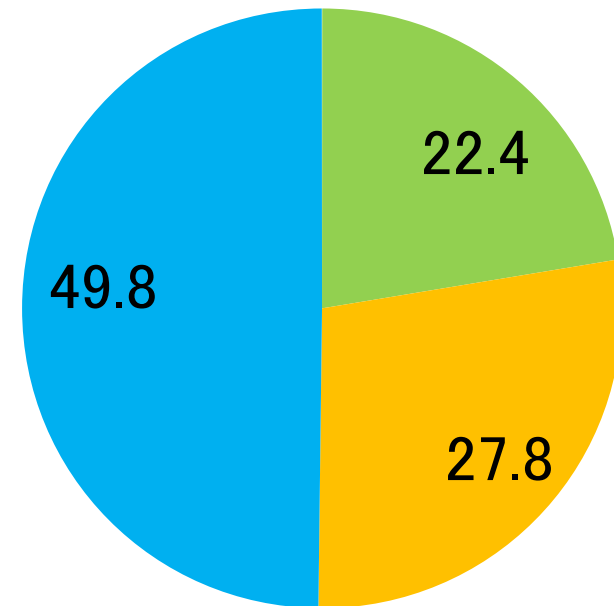
Change of the industrial structure in Africa

Breakdown of the GDP in Africa

CY 1960



CY 2010

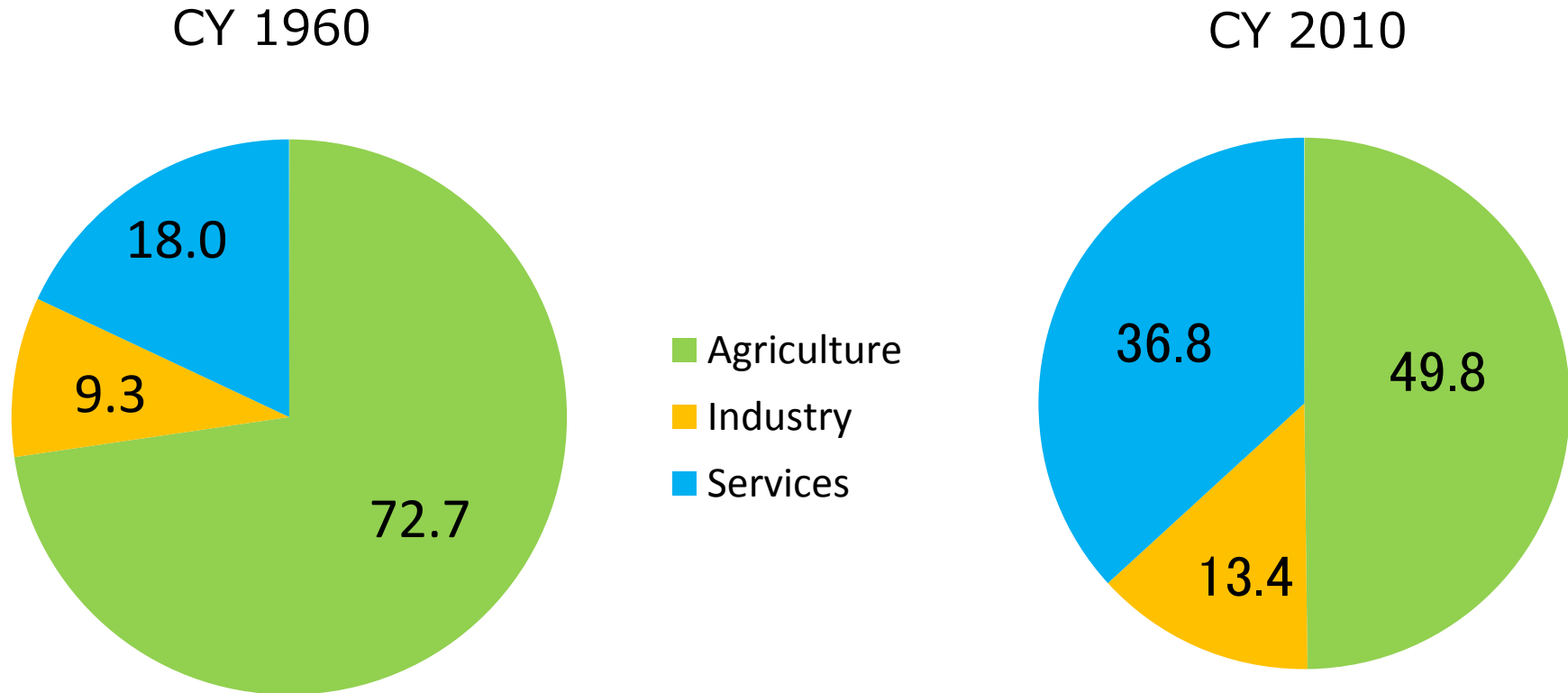


■ Agriculture
■ Industry
■ Services

(Source :de Vries, Timmer, and de Vries, (2013), "Structural transformation in Africa: Static gains, dynamic losses")

Change of the employment structure in Africa

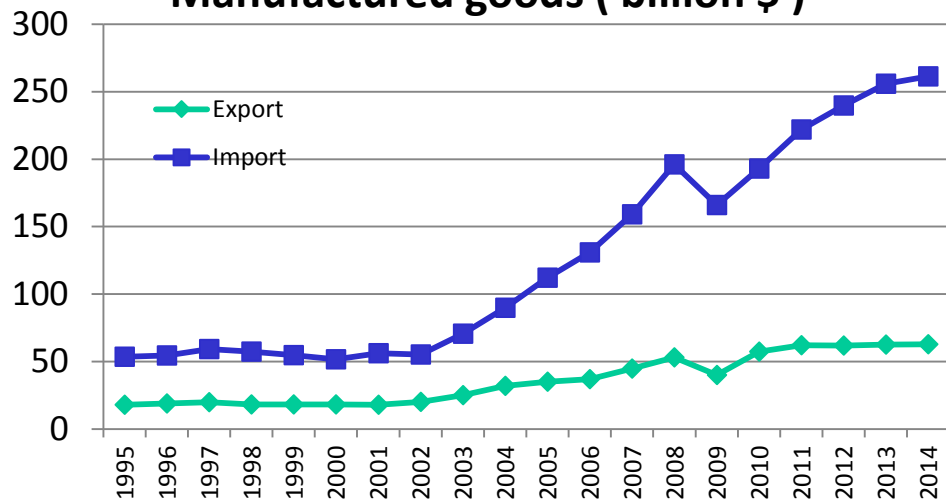
Breakdown of the work force in Africa



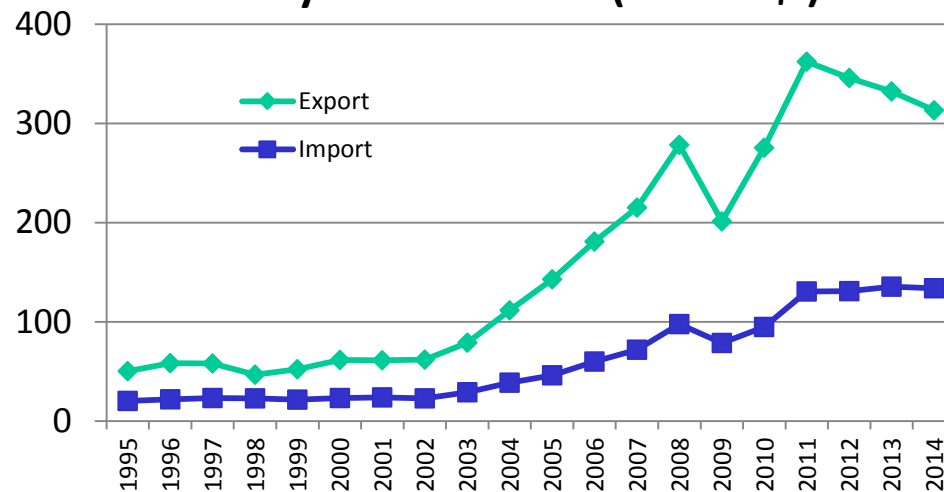
(Source :de Vries, Timmer, and de Vries, (2013), “Structural transformation in Africa: Static gains, dynamic losses”)

Change of export and import in SSA, intraregional trade

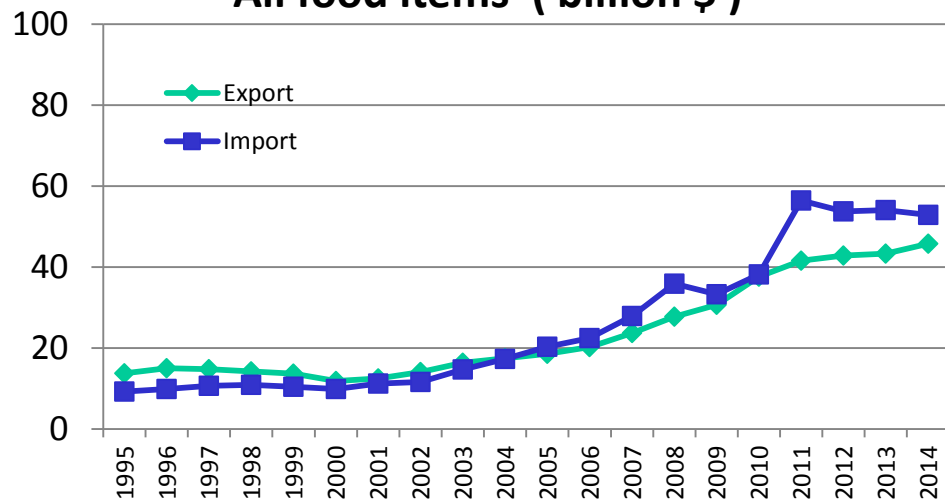
Manufactured goods (billion \$)



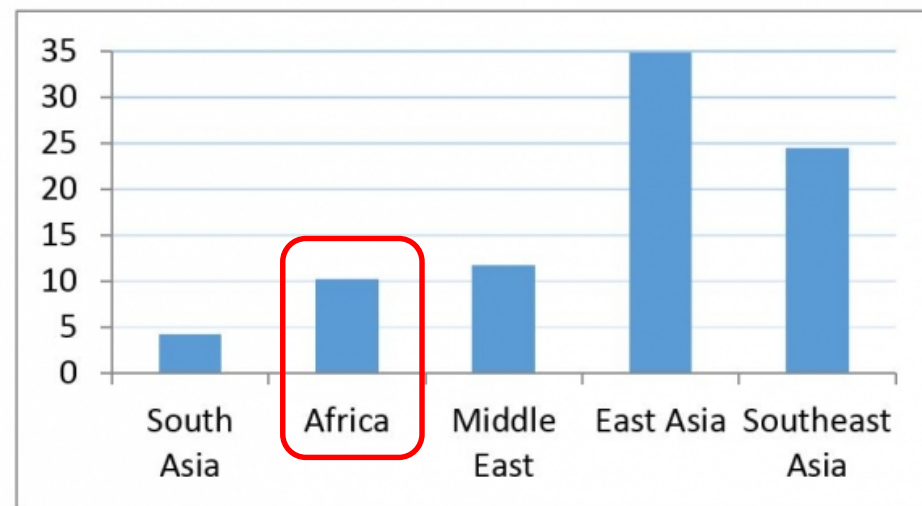
Primary commodities (billion \$)



All food items (billion \$)



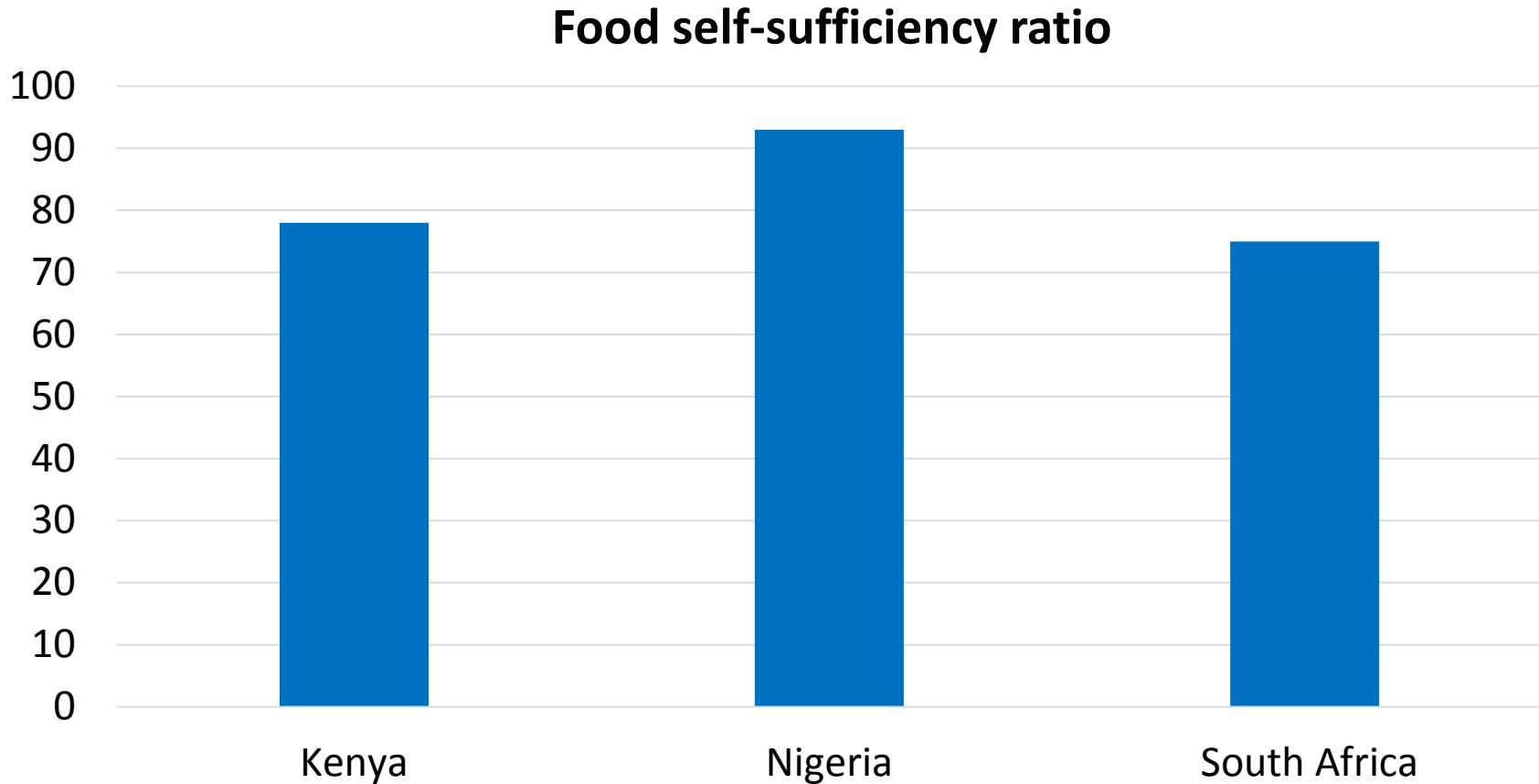
Intraregional trade in 2012 (% of total trade)



Source (Export & Import) : UNCTAD statistics

Source : World Bank statistics

Food self-sufficiency in African countries



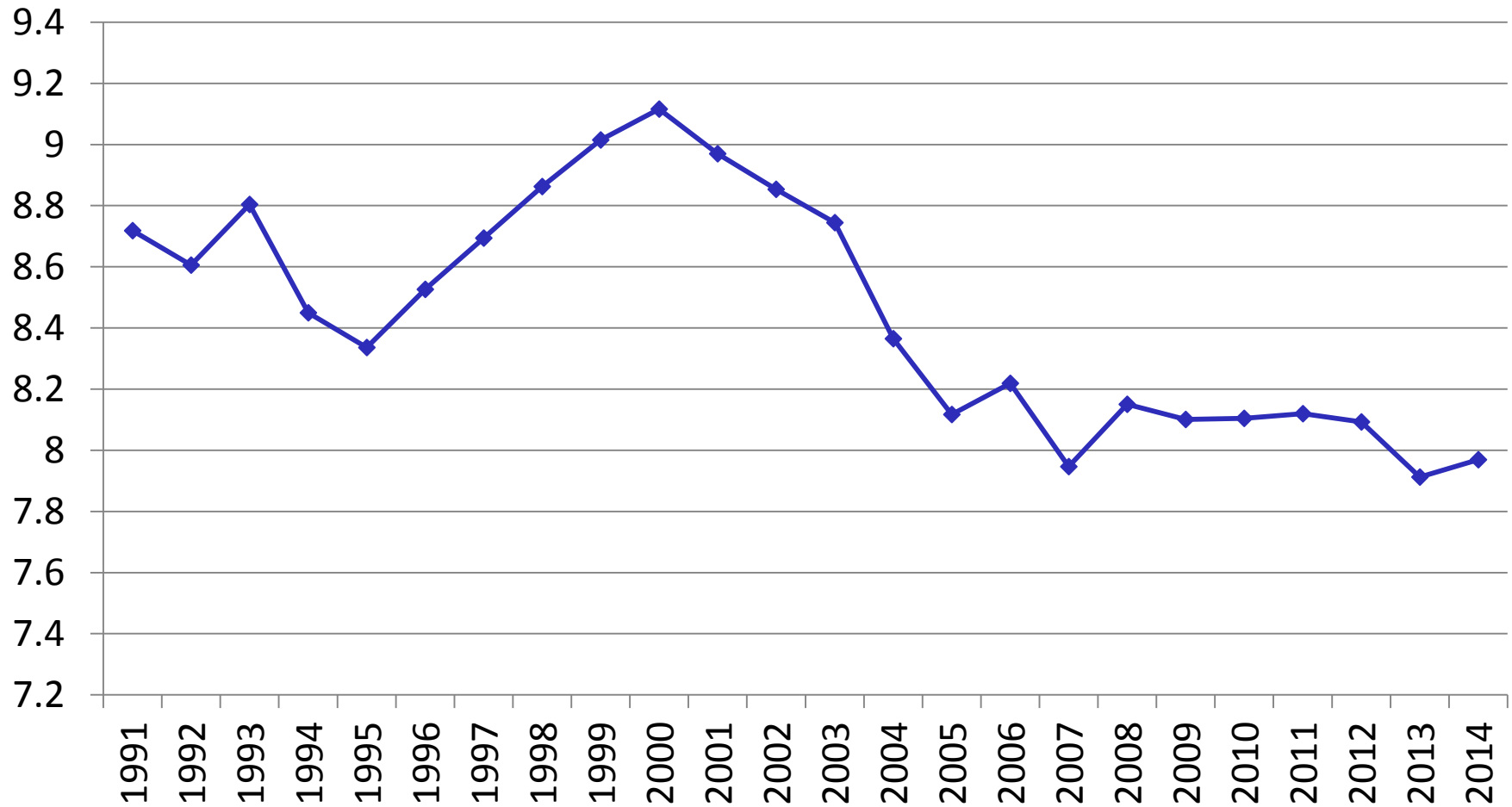
The self-sufficiency ratio (SSR) is defined as:

$$\text{SSR} = \frac{\text{production} \times 100}{\text{production} + \text{imports} - \text{exports}}$$

Source : World Bank , FAO (2007)

Change of unemployment rate in SSA

Unemployment rate in SSA (% of total labor force)



Source : UNCTAD statistics (2016)

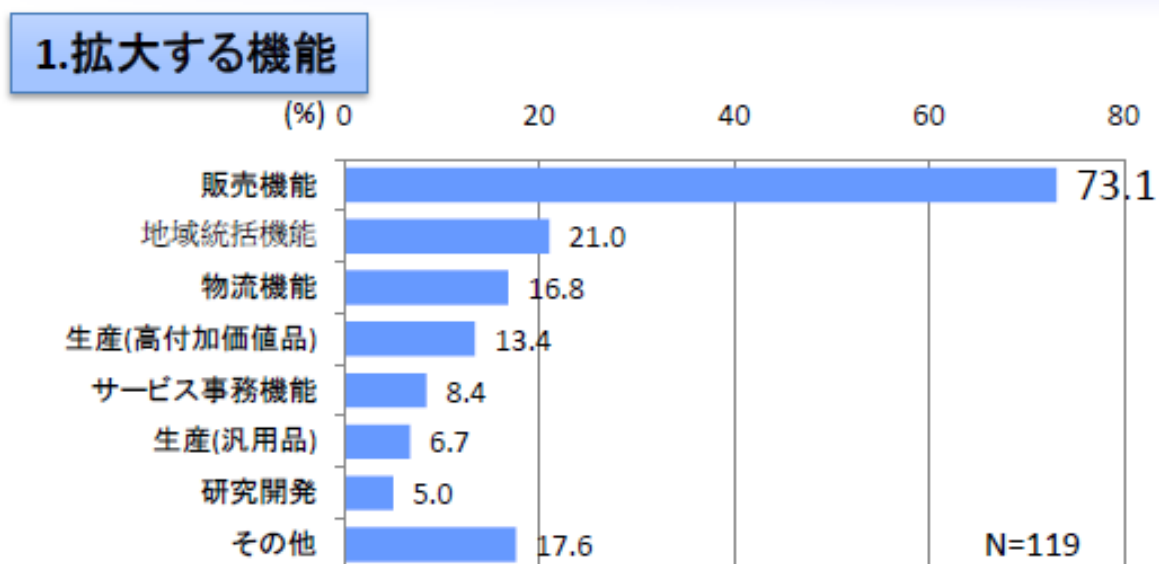
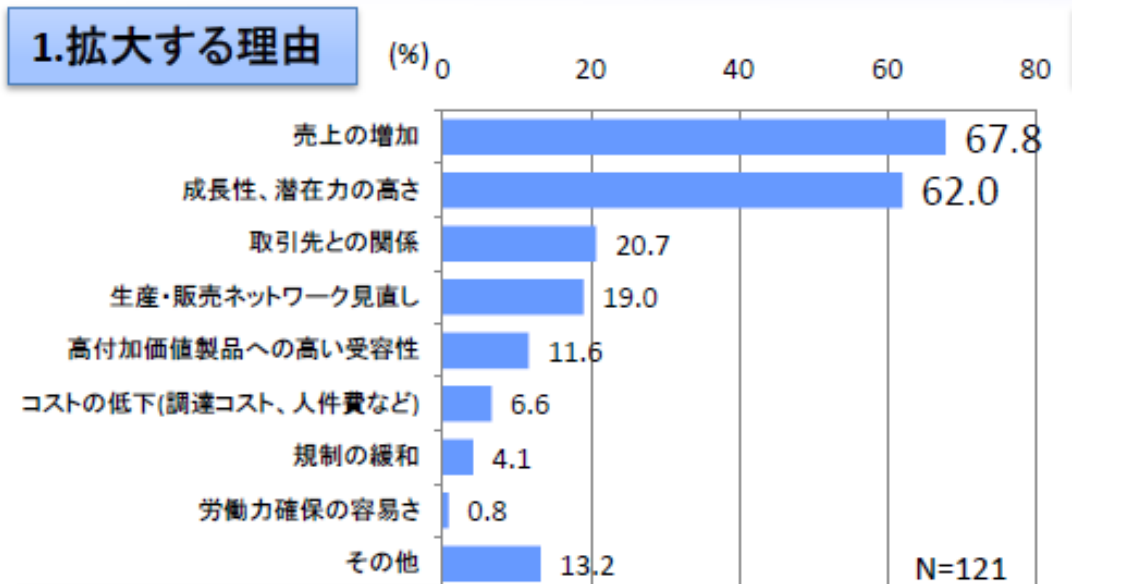
Five problems that African economy faces

1. Transformation to independent economic growth
2. Acceleration of the regional economy integration
3. Acceleration of the infrastructure construction
4. Expansion of the intraregional trade in SSA
5. Fosterage and developing abilities of young human resources that play important roles in the transformation

(DIR)

3. Prospects of African economy from the view point of Japanese private sector

Potential of economic growth in Africa

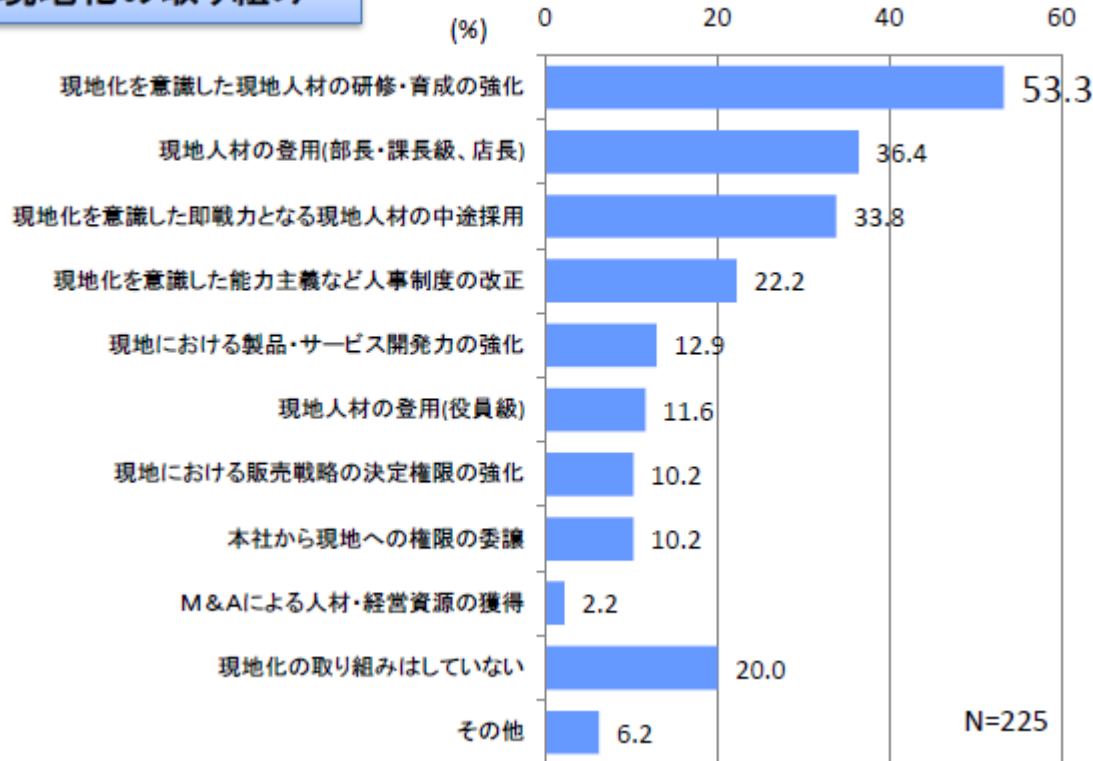


(注) サービス事務機能とは、シェアードサービス、コールセンターなど

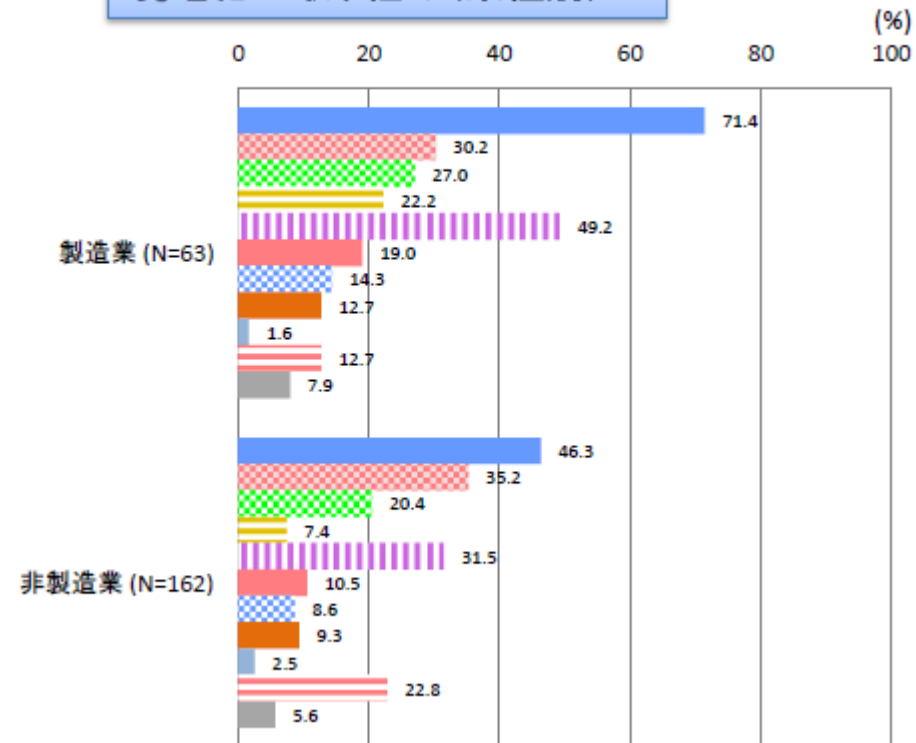
Source : 在アフリカ進出日系企業実態調査(JETRO、2016年)

Localization of Japanese companies ①

現地化の取り組み

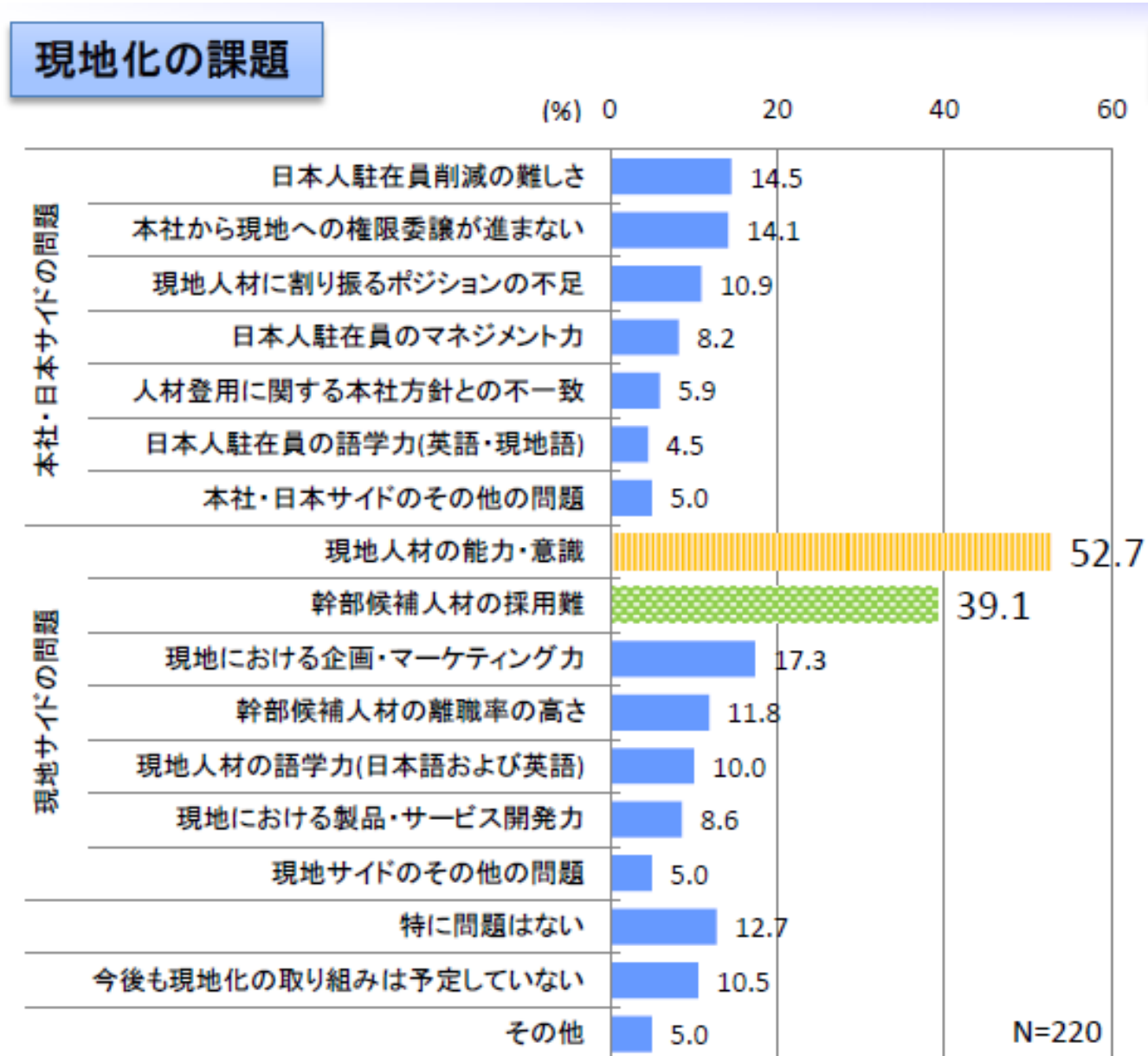


現地化の取り組み(業種別)



Source : 在アフリカ進出日系企業実態調査(JETRO、2016年)

Localization of Japanese companies ②

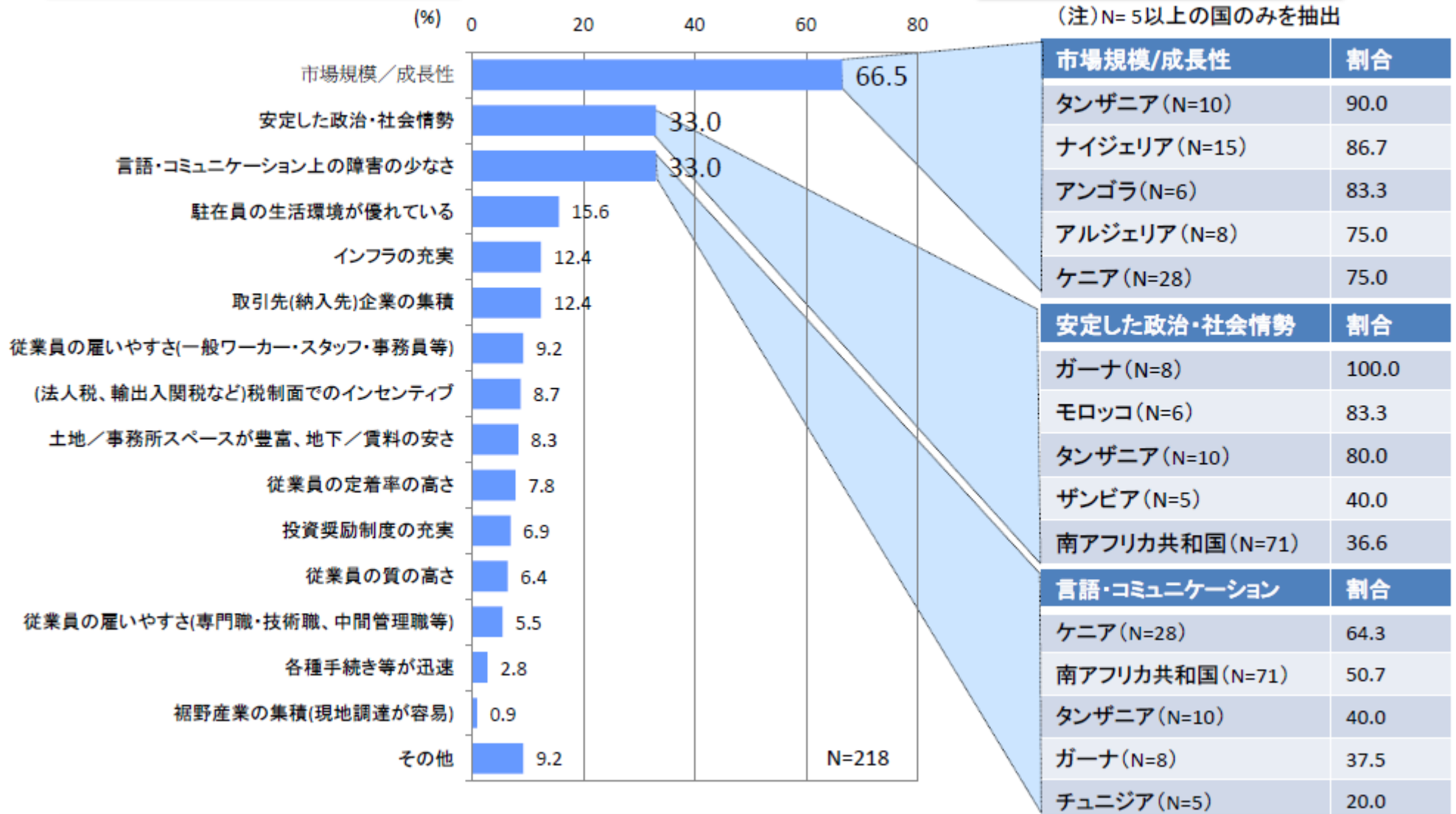


Source : 在アフリカ進出日系企業実態調査(JETRO、2016年)

The evaluation and risk to depend on investment environment ①

積極的に評価できる投資環境

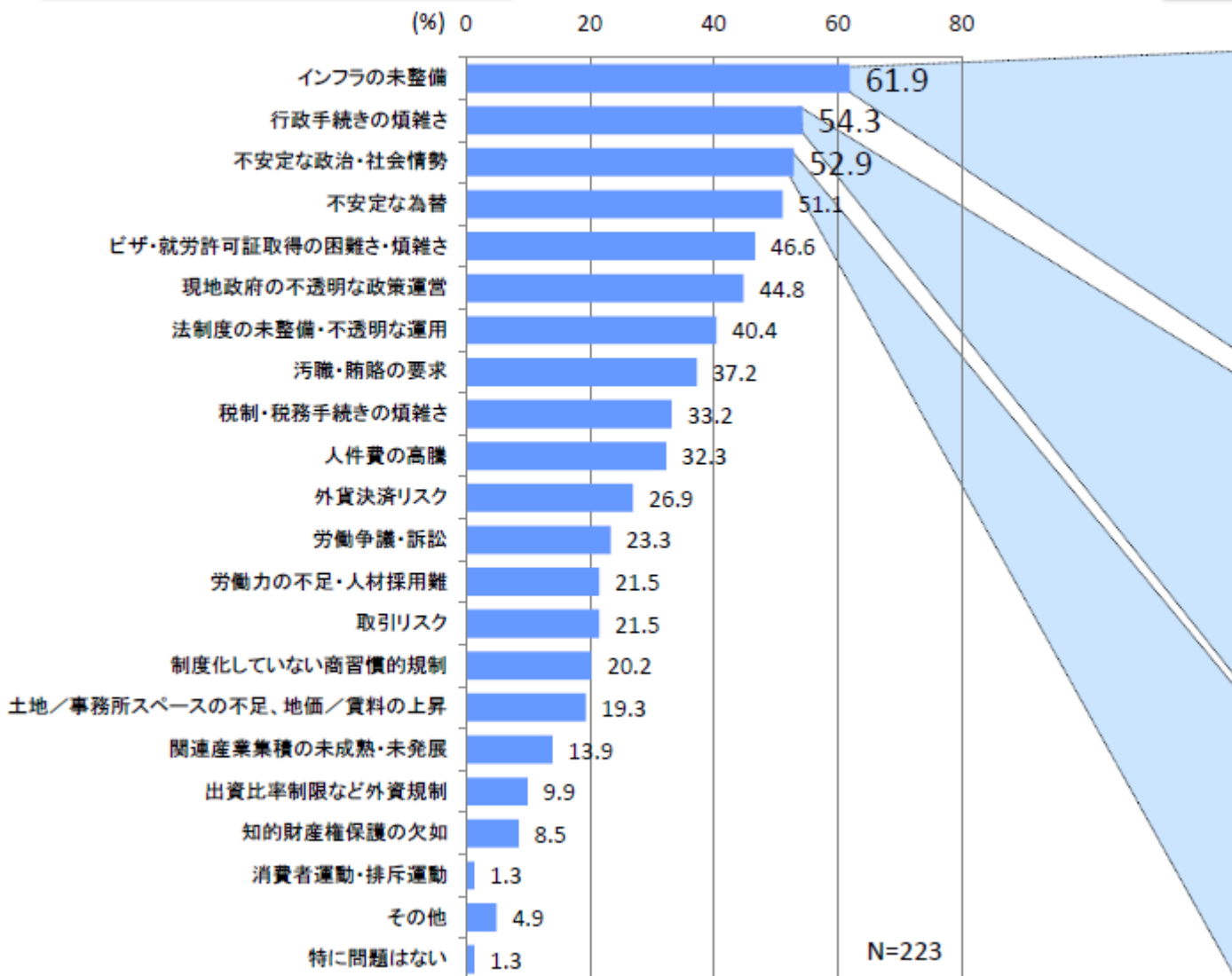
国別の回答割合(上位順)



Source : 在アフリカ進出日系企業実態調査(JETRO、2016年)

The evaluation and risk to depend on investment environment ②

リスクと認識される投資環境



国別の回答割合(上位順)

(注)N=5以上の国のみを抽出

リスクと認識される投資環境	割合
インフラの未整備	100.0
アンゴラ(N=6)	100.0
ガーナ(N=8)	87.5
ザンビア(N=5)	80.0
南アフリカ共和国(N=71)	74.6
タンザニア(N=11)	72.7
行政手続きの煩雑さ	83.3
モザンビーク(N=6)	83.3
タンザニア(N=11)	81.8
ザンビア(N=5)	80.0
エジプト(N=31)	71.0
ナイジェリア(N=17)	70.6
不安定な政治・社会情勢	100.0
チュニジア(N=5)	100.0
エジプト(N=31)	96.8
ナイジェリア(N=17)	76.5
ケニア(N=30)	66.7
南アフリカ共和国(N=71)	41.3

Source : 在アフリカ進出日系企業実態調査(JETRO、2016年)

4. Africa's priority for the solution to development problems

The development plan that African countries themselves decided

Agenda 2063 (AU)



- "A global strategy to optimize use of Africa's resources for the benefits of all Africans "
- The Heads of State and Government of the African Union (AU) in its 50th Anniversary Solemn Declaration, while acknowledging past successes and challenges, rededicated itself to the continent's development and technological transformation.
- It attached to the agenda enforcement plans of the span for ten years.

High Fives (AfDB)

- The tool for tracking progress on the African Development Bank (AfDB)'s development priorities
- African Development Bank President Akinwumi Adesina laid out the five priority areas that the Bank will focus on to advance Africa's transformative agenda over the next 10 years.



(AU, AfDB)

Two urgent problems

1. Infrastructure construction

2. Regional economic integration

5. Expectation toward TICAD VI (Proposal from Keizai Doyukai)

Proposal to meet a variety of needs for sustainable development of Africa (excerpt)

- Cooperation of Japanese assistance and the growth strategy in African countries
- Support for the regional economy integration and construction of multi-layer-like relations in Africa
- Dialogue between Japan and African government for the economic cooperation and improvement of the investment environment
- Transformation of TICAD for the platform which supports African development
- Contribution for human resources development

(Keizai Doyukai)

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Germany

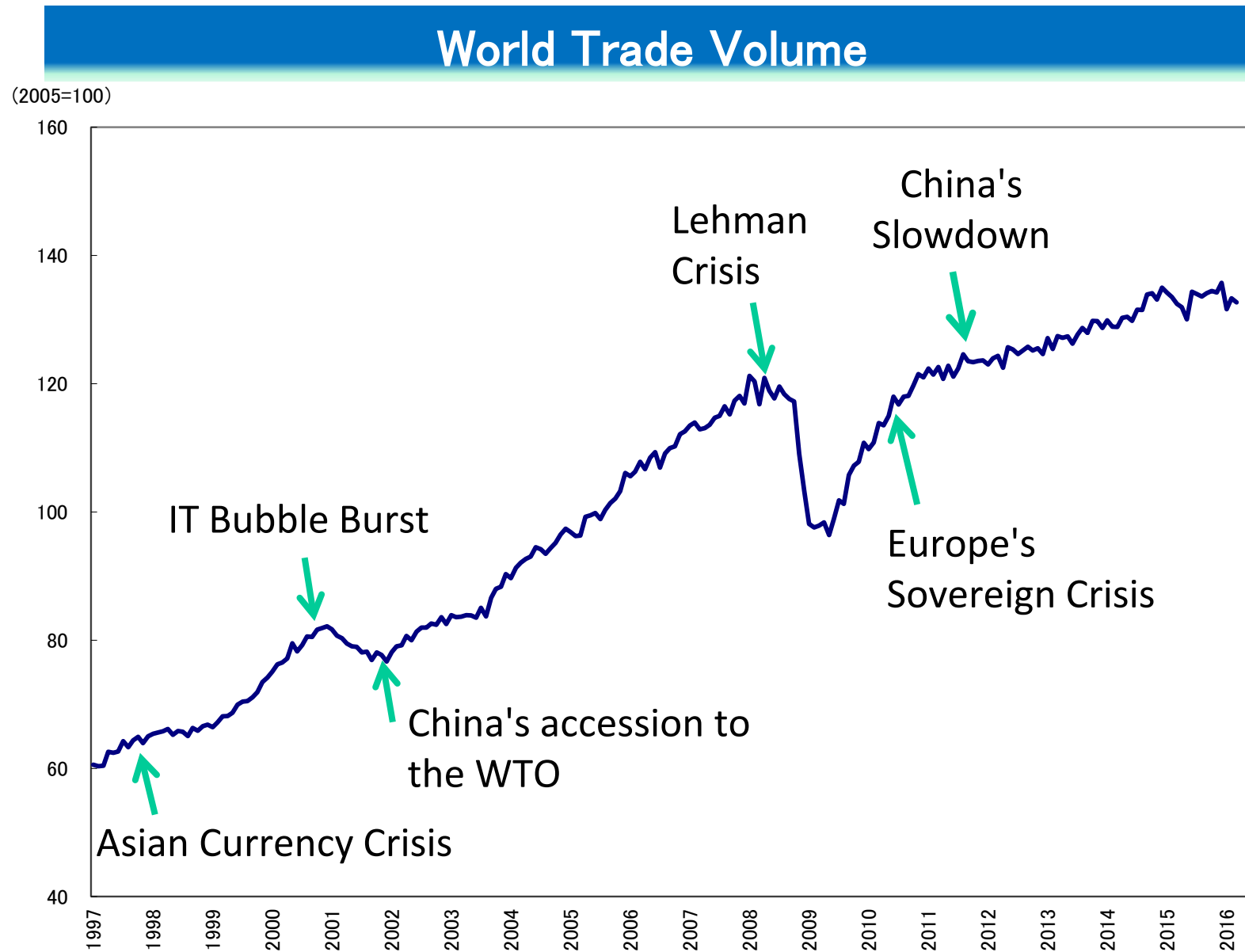
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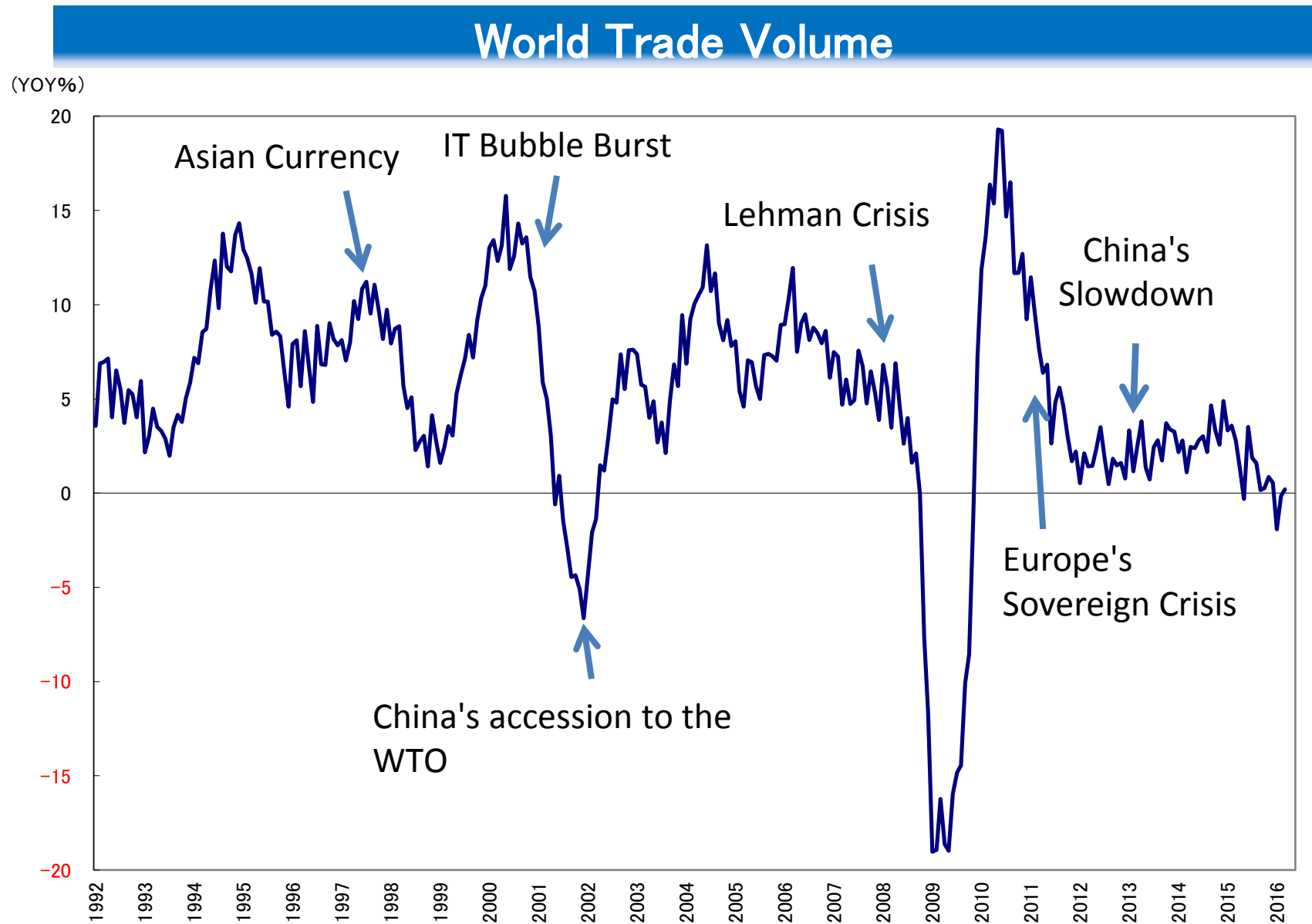
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Slow down of world trade (1)



Source: CPB Netherlands Bureau for Economic Policy Analysis

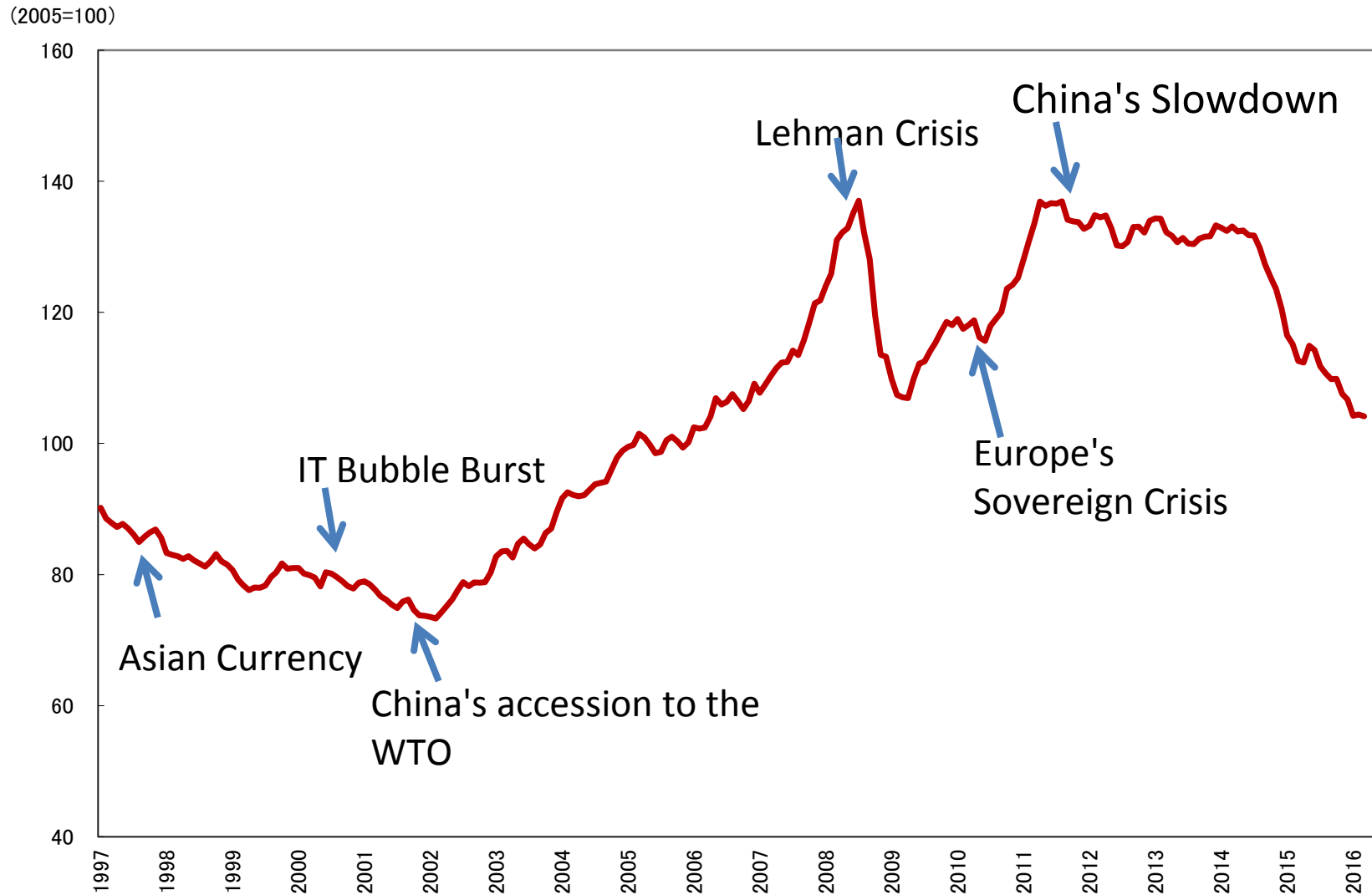
Slow down of world trade (2)



Source: CPB Netherlands Bureau for Economic Policy Analysis

Slow down of world trade (3)

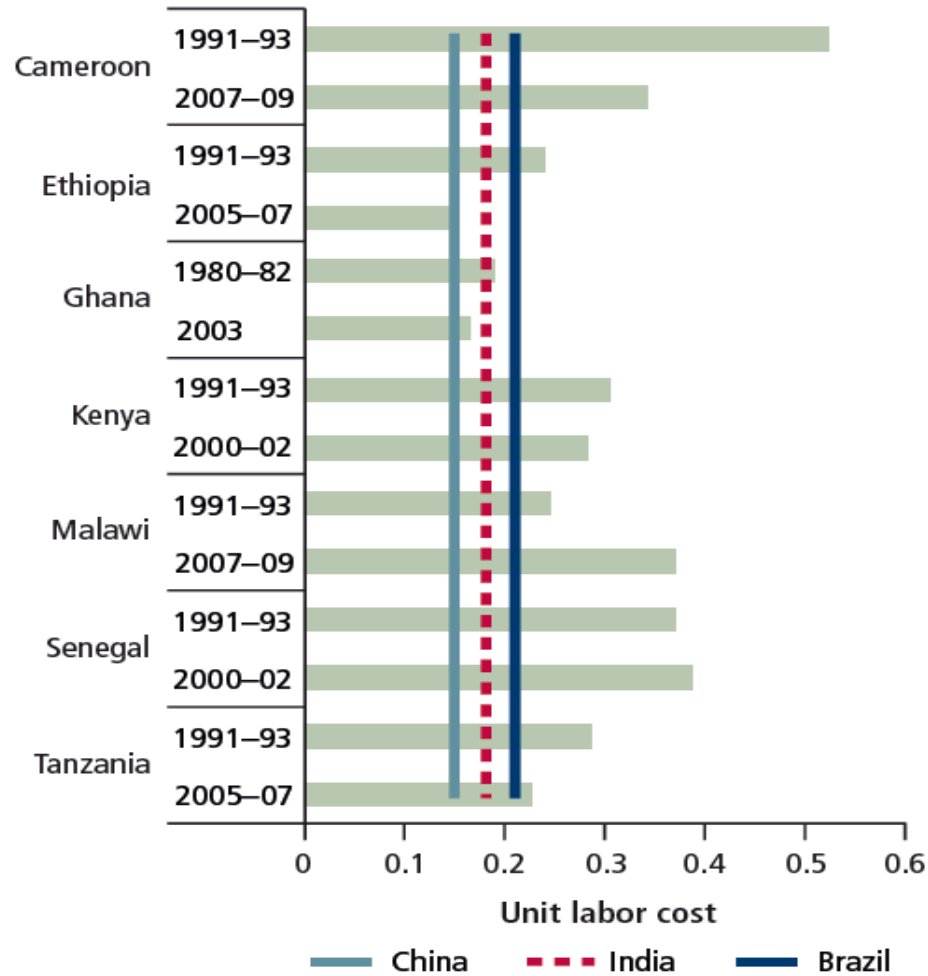
World Export Price



Source: CPB Netherlands Bureau for Economic Policy Analysis

Comparison of the labor cost

Figure 6.8 Based on unit labor costs, some African countries could become competitive with other emerging economies



Source: UNIDO statistics.

Note: The vertical lines show current unit labor costs in China, India, and Brazil.