



SUMMARY OF TOPICS FOR THE JAPAN-SADC BUSINESS FORUM

Sub Saharan Africa (SSA)

Africa's achievements are remarkable and the overall outlook for the continent is optimistic. Notwithstanding the recent concerns about falling commodity prices, Africa is still rising. SSA has grown steadily for nearly two decades and has continued to show remarkable resilience in the face of the global financial crisis. Economic stability is paying off, and Africa is a growing investment destination for both advanced and emerging economies.

Africa has tremendous potential and is home to more than 30 per cent of the world's mineral reserves. If properly managed these endowments offer unparalleled opportunity for economic growth and development. These resources are instrumental in relieving the large constraints in infrastructure.

However, there are still some challenges. Poverty remains at unacceptably high levels, inequality remains high, and some countries are still facing recurring internal conflict and are struggling to exit from fragility. It is therefore important for the benefits of growth to be more broadly shared to make growth more durable, going forward.

Southern African Development Community (SADC)

The world economy is struggling to turn the corner since the Great Recession, and the recovery remains weak and uneven. This is worrisome for the SADC region. There is slower growth in the advanced economies, as well as emerging market economies which are major trading partners for Africa. The price of commodities is sinking. There is also a tightening of external financial conditions and potentially increased market volatility as monetary policy is stabilized. These uncertainties pose a danger to SADC region which still needs support in policy advice, technical assistance and financial support- hence this forum.

An important policy priority in SADC is the building of strong institutions that ensure that there is good governance, transparency and sound economic frameworks. Strengthening the institutional and governance frameworks help manage better the region's massive resource endowments. Transparency helps to increase accountability and also helps ensure that resources are harnessed for the benefit of all. Since its inception SADC has taken its destiny into its own hands in the true spirit of the African saying: *'if you want to go quickly, go*

alone. If you want to go far, go together.” The SADC region comprising 15 countries has great economic potential, based on both the potential for domestic production and regional and international trade.

We are witnessing momentous transformation in SADC. There are vast opportunities and although some challenges are noteworthy – they can be overcome through sustained strong economic and social policies. SADC is working hard to achieve an inclusive, job-rich and sustainable growth strategy.

The SADC region is prepared to scale and extend the gains that its countries have achieved to other African RECs, and help them overcome fragility and build strong institutions, and thus ensure no country or region is left behind. The recent enlargement of the COMESA-EAC-SADC Tripartite Free Trade Area offers an integrated market of 26 countries with a combined GDP of US\$1.3 trillion (2014), a combined population of 625 million people which is 57% of Africa’s population and a land area of 17.3 million square kilometers.

SADC-Japan Business Forum

The business forum provides an opportunity to exchange information and views between SADC, Japanese private sector, potential investors, financial institutions and cooperating partners. The Forum offers an opportunity to deliberate on SADC’s regional integration agenda and share SADC’s current priorities as enclosed in the Revised Regional Indicative Strategic Development Plan (2015-2020), the SADC Industrialization Strategy (2015-2063).

To accomplish these breakthrough Industrialization plans, SADC needs to engage Japanese private sector and communicate its policies and strategies, with a view to boosting investment into the SADC region and promote the region as an investment destination of choice. The forum is also well-timed as it comes a few months before the historic TICAD VI Summit meeting that will for the first time be held in Africa in August 2016.

Session 1: Quality Infrastructure (Logistics, Transportation, Water)

There are wide shortages in infrastructural development in the continent, and these shortfalls represent huge costs to businesses and societies. Closing Africa’s infrastructure gap is very important. Building infrastructure – energy, roads, and technology grids – is the foundation of strong and durable economies. High quality infrastructure can be a magnet for foreign investment, and it can also accelerate diversification and employment creation and support further regional integration.

Thus far, the costs of closing this infrastructure gap are formidable. The investment needs are in most cases large and upfront, and have to be carefully selected, managed and implemented with a medium to long term budget perspective. SADC countries have initiated regional infrastructure projects in electricity, and road and rail networks. These investments are critical for growth to be sustained and broadened.

Session 2: ICT & Social Innovation

In Africa there is a large and growing telecommunications market, that has enjoyed penetration growth and profitability far above global averages. This strong growth and investment is driven by a technology explosion and strong demographics.

The next chapter for telecommunications in Africa will be defined by exploding demand for data as well as further expansion of in numbers of subscribers. A huge potential will be captured by operators who, by making smart investments in the core of business connectivity will become intelligent network operators.

Africa's young, increasingly urban and social media-savvy population offers scope for subscriber growth in years to come. Technology can be tapped to extend the reach and access of financial services to millions of people. The poor stand to benefit the most from the expansion of mobile technology and the access to services provision.

Session 3: Agribusiness & Food Security

Africa has great potential to raise the volume and value of its agricultural production and to expand related business activities. An African green revolution would increase agricultural production significantly through use of new technology and infrastructure. The impact – raising rural incomes, boosting GDP growth, and creating business opportunities would be enormous.

There are several factors that explain Africa's poor performance in agriculture. Transportation of agricultural products is costly due to poor infrastructure; many farmers cannot buy expensive machinery, high yield seed and fertilizers because of inadequate finance systems. Despite the challenges of transforming agriculture there are positives. Agriculture accounts for roughly 15% of the continent's GDP and still by far the biggest source of employment.

With a green revolution, Africa could increase the value of its agricultural output to about \$500 billion by 2020 and to \$880 billion by 2030 (McKinsey).

Growth of this magnitude also would increase demand for upstream products such as fertilizers, seed, pesticides and machinery, while spurring downstream activities such as grain refining, other types of food processing and biofuels.

Session 4: Energy & Environment

Generally per capita output of electricity in Africa has remained flat for many decades. SADC countries are taking steps to close the infrastructure gap, by scaling investments in the energy sector, engaging in projects that promote cross-border trade in electricity and initiating regional infrastructure projects in electricity.

Environmental Challenges: Climate change and sustained demand growth press on the sustainability of natural resources further exacerbating inequality and exclusion. The challenge is to implement policies to foster growth that is, in turn, inclusive and environmentally sustainable.

Session 5: Doing Business in SADC (Financing, M&A, Risk Management)

Strengthening public investment and debt management capacity is critical in helping put countries in a much better position to take advantage of increasing financing options.

Session 6: Global Health

Africa's pharmaceutical markets are a growing sector. There are several influencers of this growth. First, with rapid urbanization Africa's population is undergoing a massive shift. By 2025, two-fifths of economic growth will come from 30 cities of two million people or more and the majority of these cities will have GDP in excess of \$20 billion. Cities enjoy better logistics infrastructures and healthcare capabilities, and urban households have more purchasing power and are quicker to adopt modern medicines.

Second, healthcare capacity across Africa is increasing. Between 2005 and 2012, Africa added 70,000 new hospital beds, 16,000 doctors, and 60,000 nurses. Healthcare provision is becoming more efficient through initiatives such as Mozambique's switch to specialist nurse anesthetists and South Africa's use of nurses to initiate antiretroviral drug therapy. The introduction of innovative delivery models is increasing capacity still further.

Third, the business environment is becoming more supportive for business. African governments have introduced price controls and import restrictions to encourage domestic drug manufacture; required country-specific labeling to reduce counterfeiting and parallel imports; and tightened laws on import, wholesale, and retail margins. In the pharma industry, meanwhile, pharmacy

chains are consolidating, horizontal and vertical integration is on the rise, and manufacturing is expanding. A flurry of mergers and acquisitions, joint ventures, strategic alliances, partnerships, and private-equity deals are further extending Africa's markets.

In a world of slowing and stagnating markets, Africa represents the last geographic frontier where high growth is still achievable. As ever, the key to success lies in understanding individual markets in granular detail. Early movers with the right approach should be able to capture competitive advantage. Now is the time for drug companies to decide whether they want to be part of that growth and, more important, play an active role in improving public health.

Session 7: Human Capital Development

Demographically, Africa is a young continent. Africa's future lies with its people who are the key to fully capturing dividends from the population growth. By 2040 it is projected that the continent will boast the largest labour force in world – 1 billion workers, more than both China and India combined. Channeling this increasing reservoir of human capital to productive sectors offers unrivalled economic and social opportunities.

With much wider access to quality education, healthcare and infrastructure services, good jobs could be created in the private sector to reverse the current trend in Africa – where only one in five people finds work in the formal sector. The ABE Initiative with around 300 trainees participating is demonstrative of the interest in doing business with Africa. The Initiative presents a valuable opportunity to connect Africa and Japan, shorten the geographic distance and help in transferring knowledge and skills to young Africans who are tomorrow's captains of industry.