



Japan International Cooperation Agency

***Introduction
of
Enhanced Private Sector Assistance for Africa
(EPSA)***

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1. Overview of JICA – What is Official Development Assistance (ODA)?

Definition of ODA provided by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD)

Definition 1 To be undertaken by governments or government agencies

→ Irreplaceable by private sector.

Definition 2 To promote economic development and welfare in developing countries as main objective

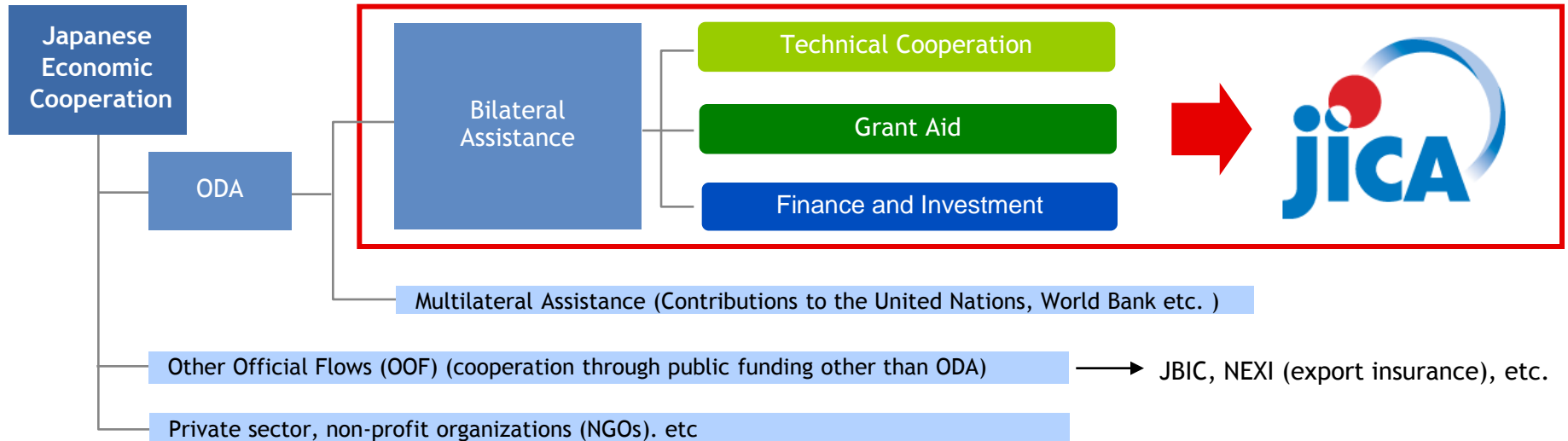
→ Japan's other public financing (JBIC⁽¹⁾'s export credit, NEXI⁽²⁾'s export insurance etc.) is not regarded as ODA.

Definition 3 Loan must have highly concessional financial terms

→ Robust financial support from GOJ.

(1) Japan Bank for International Cooperation
(2) Nippon Export and Investment Insurance

Japanese ODA and JICA



1. Overview of JICA – Credit Highlights

1. Robust ties with government

- JICA **entirely owned by the Government of Japan (GOJ)**
- Established under **JICA Act**
- Subject to control and supervision by **Foreign Minister and Finance Minister**

2. Political importance

- Japan's sole agency to implement **Official Development Assistance (ODA)**, one of the most important policy tools of GOJ

3. High capital ratio and financial soundness

- JICA has received additional capital contribution from GOJ every year since 1965 based on JICA Act
- With its capital of JPY 9.2 tn (eq. USD 76.8 bn), **capital ratio of JICA's Finance and Investment Account is 80.98%** as of the end of Sep 2015

Finance and Investment Account
as of end of Sep 2015 (USD billion)



4. Same credit ratings as those of GOJ

- Standard & Poor's : **A+ (Stable)**
(February 2016)
- Rating and Investment Information: **AA+ (Stable)**
(February 2016)

5. Track record of international bond issuance

- **Issued 1st Government-guaranteed Euro-dollar bonds in November 2014**
- **JPY 75 bn (eq. USD 0.6 bn) added to FY2016 annual funding plan** for the issuance of Government-guaranteed bond in international markets

6. Track record of domestic bond issuance

- **34 bonds issued in domestic markets** (JPY 430 billion (USD 3.6 billion) in total) since December 2008 until the end of March 2016
- Established a solid position in domestic market

Exchange rate: USD/JPY = 120

2. Partnerships with Development Finance Institutions (DFIs)



JICA-DBSA
(27 May 2010)



JICA-EADB
(25 August 2014)



JICA-PTA Bank
(26 August 2014)



JICA-BOAD
(12 October 2014)

2. Partnerships with Development Finance Institutions (DFIs)

■ JICA - SADC-DFRC (Development Finance Resource Centre)

- Dispatch of JICA Advisor on *Development Finance*, Mr Tetsuya FUKUNAGA, in January 2016

■ JICA - DBSA (Development Bank of Southern Africa)

- Dispatch of JICA Expert as “*TICAD Advisor*”
 - ✓ Mr Tetsuya FUKUNAGA (2010-2015)
 - ✓ Ms Tomomi TOKUORI (2015-)

■ Knowledge Co-Creation Program

- Title: “*Strengthening of Project Value Chain for Development Finance Institutions (DFIs) in SADC Countries*”

- Number of Participants:

FY	2014	2015	2016
Participants	14	15	15

2. Partnerships with Development Finance Institutions (DFIs)

Challenges for Development in Africa:

- ✓ *Formulation for Infrastructure Development Projects including rehabilitation (eg. Power, Transport, Water Sector)*
 - ✓ *Cooperation for Small and Medium-sized Enterprise as growing Working Population in Africa*
 - ✓ *Formulation for Public Private Partnerships*
- ➔ “More Needs as growing population in Africa”**



Important Roles of DFIs for further Development in Africa

3. Sixth Tokyo International Conference on African Development (TICAD VI)

- TICAD VI held in Nairobi, Kenya (on 27th & 28th August 2016)
 - ✓ First TICAD Summit held on African Soil
 - ✓ More than 3,000 participants, including Japanese Prime Minister Shinzo Abe, Kenyan President Uhuru Kenyatta and more than 35 heads of states

- The Nairobi Declaration identifies three priority areas for addressing emerging challenges in Africa's development as follows:

i) Promoting Structural Economic Transformation through Economic Diversification and Industrialization

ii) Promoting Resilient Health Systems for Quality of Life

iii) Promoting Social Stability for Shared Prosperity

3. Sixth Tokyo International Conference on African Development (TICAD VI)

As first step for taking specific actions to support these priority areas,

- The Government of Japan announced an assistance package for Africa over the next three years (2016 to 2018) in the amount of 3 trillion yen (equivalent to 30 billion US dollars) to be financed by both public and private sectors.
- While continuing to contribute to achieve targets set at TICAD V, JICA will, as major development partner, contribute to Japan's new assistance package to support the following areas:

i) Expanding the amount of finance of EPSA (Enhanced Private Sector Assistance for Africa) up to more than USD 33 hundred million by co-financing with African Development Bank (AfDB)

- ii) Development of human resource engaging in industrial activities by continuing the program of "ABE Initiative" and implementing newly launched KAIZEN Initiative
- iii) Support in health sector through the promotion of universal health coverage (UHC) and newly launched "Initiative for Food and Nutrition Security in Africa" (IFNA)

4. Enhanced Private Sector Assistance (EPSA)



Prime Minister Abe speaking at the AU Headquarters in Ethiopia (2014 January 14). Source: PM Office



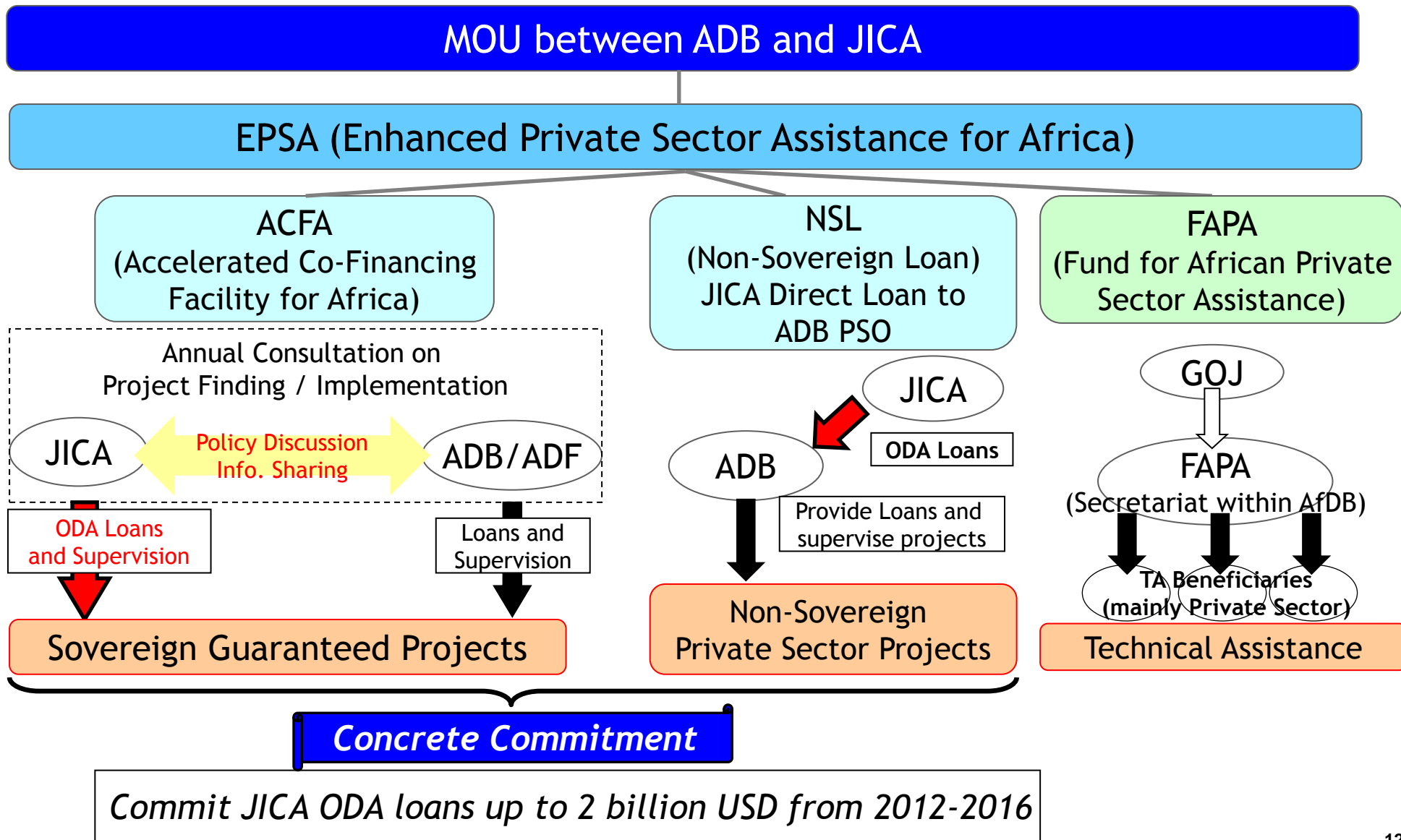
AfDB President Adesina and JICA Vice President Kato (Sep. 2015)

- EPSA1 :
 - In 2005, GOJ announced provision of up to **1 billion USD** in 5 years through Enhanced Private Sector Assistance (EPSA) with AfDB.
- EPSA2 :
 - In 2012, G20 Los Cabos Summit 5 years provide up to additional **1 billion USD**.
 - In January 2014, at the African Union headquarters in Ethiopia, Prime Minister Abe committed to double the commitment to **2 billion USD**.

4. EPISA -Objectives and Priority Areas

- Objective: Comprehensive Assistance to Develop Private Sector in Africa
- Priority areas:
 - ✓ Develop Investment Environment
 - ✓ Develop Financial Market
 - ✓ Develop Socio-Economic Infrastructure
 - ✓ Assist Micro, Small and Medium Enterprises (MSMEs)
 - ✓ Promote Trade and Foreign Direct Investment (FDI)

4. EPSA -Component



4. EPSA -Component

- ❑ **Accelerated Co-Financing Facility for Africa (ACFA)** is a sovereign co-financing arrangement between AfDB and JICA, where JICA lends on preferential terms to borrowers under this scheme.
 - ✓ ACFA provides joint or parallel project financing with JICA on concessional terms.

- ❑ **Non-Sovereign Loan (NSL)** is a line of credit from JICA to the Bank on concessional terms for financing the Bank's private sector operations.
 - ✓ In principle, although resources are pooled with other financial resources of the Bank and subject to normal Bank processes (including eligibility and pricing), the Bank attributes the utilization of NSL proceeds to specific operations.

- ❑ **Fund for African Private Sector Assistance (FAPA)** is Trust Fund for technical assistance and capacity building for the Bank's public and private sector clients.
 - ✓ Thematic areas covered by FAPA are in line with the three strategic pillars of the Bank's Private Sector Development Strategy (2013-2017):
 - Investment and Business Climate
 - Access to Social and Economic Infrastructure
 - Enterprise Development

5. Way Forward



From left, JICA President Shinichi Kitaoka and African Development Bank President Akinwumi Adesina

EPSA3:

- ✓ Japan will target to provide US\$ 1.5 billion over 3 years through JICA.
- ✓ On 28 Oct 2016, JICA President Shinichi Kitaoka held talks with AfDB President Akinwumi Adesina at JICA Headquarters in Tokyo.

Reference

- EPSA

(ACFA, NSL)

<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/enhanced-private-sector-assistance-for-africa-epsa-initiative/>

(FAPA)

<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/fund-for-african-private-sector-assistance/>