

Africa: Growth & Trade

Last updated: July 2008

About growth and trade in Africa

Key facts

- Growth in Sub Saharan Africa averaged only 2.2% between 1980 and 2000. It is estimated that 7% growth per year is required to halve the number of people living in poverty by 2015, 70 per cent of whom rely on agriculture.
- Sub Saharan Africa's non-fuel exports were just 1.2% of global trade in 2006.¹
- It is estimated that customs delays throughout Africa have added over 10 per cent to the cost of exports.²

Progress made

- Growth in Sub Saharan Africa is accelerating. In 2007, growth was estimated at 6.6%³ - part of a trend of the best, sustained growth rates for thirty years.
- Rising commodity prices have boosted the value of exports for many African countries.
- Customs reforms across Africa are having an impact – for example in Mozambique goods are now cleared up to 40 times faster and the government is receiving higher revenues to invest in health and education. Ghana is one of the top 10 reformers globally for ease of doing business for the last two years.⁴

Working to improve growth and trade in Africa

Faster and sustained economic growth is necessary to reduce global poverty levels. But inclusive growth is also important so that the poorest gain from increased wealth, providing jobs and opportunities. The UK is committed to spend \$750m per annum by 2010 on 'aid for trade'. That is spend on anything that facilitates doing business, including infrastructure and agriculture.

There are deep rooted obstacles to growth in Africa. It is clear that one of the principle determinants of growth in a country is leadership, a demonstrable commitment to getting the right policies and institutions in place. Historically international investors have stayed away from African markets because of fears of instability, bureaucracy and corruption, coupled with poor infrastructure. Domestic investors and small businesses had to live with these problems and faced poor access to global and regional markets to sell their wares. But the situation is changing. African governments are working with donors such as DFID to address these obstacles. Africa is currently benefiting from the best growth rates in the past thirty years.

¹ World Trade Organisation, 2006

² Commission for Africa, 2005, p 53

³ International Monetary Fund Regional Economic Outlook April 2008

⁴ Doing Business 2008

Pan Africa and regional action on growth and trade

Addressing the issue of access to developed country markets, the UK is working hard to ensure a timely and development friendly conclusion to the World Trade Organisation (WTO) Doha development trade round and to ensure that the ongoing negotiations on the [Economic Partnership Agreements](#) which have been agreed between the EU and 35 countries from African, the Caribbean and the Pacific (ACP) are now focussed on supporting regional integration initiatives which will help deliver development objectives.

Many African countries are opening their borders to each other. This is important as African economies are small and fragmented and must work together to supply larger markets. DFID works with many of the most important Africa regional organisations to support them in their regional integration – for example COMESA, the Common Market for East and Southern Africa.

DFID has also committed up to £17m over 4 years to the [Investment Climate Facility](#). This facility combines African leadership with donor and corporate commitments to help Africa become an even better place to do business.

DFID has promised up to £10m over three years to the [Africa Enterprise Challenge Fund](#), to provide match-funding for business innovations in the financial sector and agribusiness that improve the economic prospects of the most excluded in Africa, as employees, entrepreneurs or consumers.

DFID also supports African countries' analysis into how their economies can grow, create jobs and build a sustainable source of government revenue to provide free basic services to their populations. For example in Southern Africa our Regional Trade Facilitation programme targets obstacles which hamper poor producers and small traders taking part in regional trade. Agriculture, transport systems and availability of power are all important parts of this work. ([See Infrastructure & Energy and Agriculture fact sheets](#))

Country examples:

Ghana: Ghana's growth rate is currently at 6.2% per annum and poverty levels are declining. To help sustain this, DFID will provide about £10 million over the next three years to support the implementation of the Government's Private Sector Development Strategy.

Uganda: A successful programme in Entebbe focused on streamlining business licensing. As a result, the time that Ugandan entrepreneurs needed to register a business fell from 2 days to just 30 minutes. Four times as many businesses registered in Entebbe the year after the pilot and, despite the lower annual registration fee, the higher number of registrations meant that the total revenue collected by the municipality increased by 40%. There were significant savings in administrative staff time too. This pilot is now being rolled out nationally.

For more information about DFID's work on Growth and Trade please visit www.dfid.gov.uk
If you are a journalist and wish to know more about DFID and its work to reduce poverty in Africa please call DFID press office: 0207023 0600.